

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

ORIGINAL	
N.H.P.U.C. Case No.	DE 13-063
Exhibit No.	9
Witness	S. Hall, S. Mullen, G. Siwinski
DO NOT REMOVE FROM FILE	

RE: GRANITE STATE ELECTRIC COMPANY D/B/A LIBERTY UTILITIES

DOCKET NO. DE 13-063

SETTLEMENT AGREEMENT - PERMANENT RATES

This Settlement Agreement ("Agreement") is entered into as of the 22nd day of January, 2014, by and among Granite State Electric Company d/b/a Liberty Utilities ("Liberty" or the "Company"), the Staff ("Staff") of the New Hampshire Public Utilities Commission (the "Commission"), and the Office of Consumer Advocate (the "OCA") (hereinafter referred to collectively as the "Settling Parties"). This Agreement resolves all issues regarding Liberty's request for permanent rates in this proceeding.

I. INTRODUCTION

On February 27, 2013, Liberty filed with the Commission its notice of intent to file rate schedules to seek an increase in its annual distribution revenues. The OCA notified the Commission on March 11, 2013 that it would participate in the docket on behalf of residential customers consistent with RSA 363:28. On March 29, 2013, Liberty filed its proposed rate schedules seeking an increase of \$14.169 million in annual distribution revenues, which, according to the Company, would result in an average overall increase of 18 percent in residential customers' bills. The Company also filed direct testimony of the following witnesses: Mr. Victor Del Vecchio, Mr. Daniel Saad and Mr. Kurt Demmer, Mr. William Sherry, Ms. ChristiAne Mason and Dr. Michael Schmidt¹, Mr. Mark Smith, Mr. Robert Hevert, Mr. Howard

¹ On October 25, 2013, Mr. Stephen Hall and Mr. Howard Gorman adopted the testimony of Ms. Mason.

Gorman, and Mr. Dane Watson. On April 19, 2013, Mary Hitchcock Memorial Hospital and Dartmouth-Hitchcock Clinic filed a petition to intervene, which was granted by the Commission at the prehearing conference on April 24, 2013.

In its filing, the Company also sought a temporary rate increase of \$9.215 million which it subsequently revised to \$8.670 million. The Company also moved for waivers from compliance with certain requirements of the Commission's rules and for confidential treatment relative to information about the compensation paid to its officers and directors. On April 11, 2013, the Commission issued Order No. 25,490, suspending the Company's proposed tariff revisions included in the Company's distribution rate filing.

After discovery by the parties on the Company's temporary rate filing and testimony by the Staff on the Company's temporary rate request, the Staff, Liberty and OCA reached a settlement agreement on temporary rates which was filed with the Commission on June 13, 2013. The temporary rate settlement provided for an annual increase in distribution revenue of \$6.5 million. The Commission approved the temporary rate settlement agreement in Order No. 25,531 on June 27, 2013, which provided for temporary rates to take effect on July 1, 2013. Pursuant to the terms of the agreement, temporary rates were fully reconcilable with any permanent rates approved by the Commission.

On August 27, 28 and 29, and October 16, 2013, Staff and the parties held technical sessions to conduct discovery regarding the Company's permanent rate filing. In addition, the Company responded to two rounds of data requests from Staff and the parties as well as data requests arising from the technical sessions. On November 15, 2013, Staff submitted testimony of Mr. Steven Mullen, Mr. Grant Siwinski, Mr. James Cunningham, Mr. Leszek Stachow, and Mr. Al-Azad Iqbal. On the same date, Dartmouth Hitchcock filed testimony of Ms. Gail A.

Dahlstrom. The Company subsequently propounded data requests to Staff. Staff and the parties met on December 17, 2013 for a settlement conference, and as a result of those and subsequent discussions, the Settling Parties have agreed to the terms of this Agreement, which is proposed to resolve all of the issues in this case. The Settling Parties recommend that the Commission approve this Agreement without modification.

II. TERMS OF AGREEMENT

A. Revenue Requirement, Rate Base, Rate of Return.

The Settling Parties agree that the Commission should authorize an annual distribution revenue requirement of \$36.303 million effective April 1, 2014, an increase of \$9.760 million to the test year distribution revenue level of \$26.543 million, and based on an overall rate of return of 7.92%. The overall rate of return is based on a cost of equity of 9.55%, a cost of long-term debt of 5.95%, and a capital structure of 55% equity and 45% debt. (See schedules included as Attachment A.)

The Settling Parties agree that the foregoing revenue requirement represents a reasonable compromise of all issues relating to the revenue requirement pending before the Commission for the purpose of permanent rates. As the sums expressed above are the result of compromise and settlement, they are liquidations of all revenue requirement issues. The Settling Parties agree that the revenue requirement recommended to the Commission in this Agreement results in permanent rates for Liberty's customers that are just and reasonable. The permanent rate increase described in this Paragraph A shall be reconcilable to the effective date of temporary rates in this case (July 1, 2013), in accordance with Paragraph F below.

B. Step Increase

The Company shall be permitted to recover an estimated additional \$1.115 million in annual revenue in the form of a step increase in rates for capital additions used and useful as of December 31, 2013. (See schedule included as Attachment B.) The exact amount of the step increase is subject to final audit by Staff, and shall take effect for all service rendered on and after April 1, 2014. The step increase will be recovered through an equiproportional increase to each component of rates for each rate class.

C. Depreciation

Beginning April 1, 2014, the Company's depreciation rates shall be calculated using service lives and net salvage set forth in Attachment C to this Agreement.

D. Pension Expense

Beginning April 1, 2014, the Company will amortize its pension deferred debit related to the acquisition of the Company from National Grid over 10.52 years, which is the estimated average remaining length of service for employees.

E. Tariff Changes

Fee Changes: The Company is authorized to adopt the following fees: (i) Service Connection / Activation Fee - \$20.00; (ii) Service Reconnection Fee - \$35.00; (iii) Service Reconnection Fee After Hours - \$70.00; (iv) Variance of Bill Adjustment Due to Meter Tests (+/-) – 2%, and; (v) Collection Field Visit Fees – \$20.00. The Company shall track all of the costs associated with these services and shall propose any appropriate changes as part of its next distribution rate case filing.

Line Extension Policy: The Company is authorized to adopt a line extension policy consistent with Attachment D to this Agreement; provided, however that Attachment D shall not apply to any line extension agreements between the Company and its customers that were executed by both the Company and the customer as of the date of execution of this Agreement. The Company shall track all of the costs associated with this new line extension policy and shall propose any appropriate changes as part of its next distribution rate case filing.

F. Effective Date for Permanent Rates and Recoupment

The permanent rate increase agreed to in Section II(A) shall be effective for all service rendered on and after April 1, 2014. The difference between the distribution revenues obtained from the rates prescribed in the temporary rate order, Order No. 25,531, and the distribution revenues that would have been obtained under the rates finally determined, if applied during the period such temporary rate order was in effect, will be recovered from customers over a period of twenty-four months, beginning with service rendered as of April 1, 2014. The total amount of recoupment is \$2.445 million, and shall be recovered through an increase of \$1,222,500 to the annual distribution rate level, such increase to remain in effect until April 1, 2016, at which time the annual distribution rate level shall be decreased by \$1,222,500. The temporary rate recoupment will be recovered through an equiproportional increase to each component of rates for each rate class.

G. Rate Case Expense

Subject to Staff audit, the Company shall recover up to \$390,000 in rate case expense, consistent with the terms of the April 10, 2012 settlement agreement in Docket No. DG 11-040. The Company agrees to submit an accounting of its rate case expense, with appropriate supporting documentation, for review by Staff and approval by the Commission, upon the

conclusion of this proceeding. The Company shall recover its prudently incurred rate case expense in the same manner as it recovers the temporary rate recoupment. Staff shall provide its initial recommendation for rate case expense recovery to the parties as soon as reasonably possible, and the Company shall be authorized to recover the approved rate case expense beginning with service rendered as of April 1, 2014. Rate case expense shall be recovered through an increase of \$195,000 (or 50% of the approved rate case expenses) to the annual distribution rate level, such increase to remain in effect until April 1, 2016, at which time the annual distribution rate level shall be decreased by \$195,000 (or 50% of the approved rate case expenses). Rate case expense will be recovered through an equiproportional increase to each component of rates for each rate class.

H. Rate Design

The Settling Parties agree to adopt the Company's revenue allocation and rate design as proposed in the Company's cost of service study. The rates for effect on April 1, 2014, as a result of this Agreement, are shown in Attachment E hereto. The rates contained in Attachment E are calculated based on the revenue requirement amounts described in Paragraphs II(A) and II(B) above, adjusted to reflect current levels of the surcharges contained in distribution rates as described in notes (1) through (4) on Attachment E. The Company's rate design shall be fully reviewed in the Company's next distribution rate case.

I. GreenUp Program

The Settling Parties agree that the Company may terminate its GreenUp program currently offered pursuant to RSA 374-F:3, V(f) at the end of a calendar quarter, provided that the Company has first sent letters to each of its customers participating in the GreenUp program notifying them of the termination of the program at least 30 days prior to its termination and

providing each customer with a list of competitive energy suppliers listed on the Commission's website that may offer green or renewable options.

J. Next Distribution Rate Case

The test year for the Company's next general distribution rate case shall be no earlier than calendar year 2015 and no later than calendar year 2016.

K. Reliability Enhancement Program/Vegetation Management Program

The Company shall continue its Reliability Enhancement Program/Vegetation Management Program as described in Attachment F to this Agreement.

L. Storm-Related Issues

Beginning April 1, 2014, the Company's Storm Fund shall be funded at an annual amount of \$1.5 million, \$1.380 million of which is included in the \$9.760 million revenue increase described in Section II(A) of this Agreement, and the remaining \$120,000 of which is currently included in distribution rates and reconciled through the Storm Recovery Adjustment Factor. The Storm Fund shall be used for the recovery of costs associated with major storms experienced by the Company, which are defined as a severe weather event or events causing 30 concurrent troubles (*i.e.*, interruption events occurring on either primary or secondary lines) and 15 percent of customers interrupted or 45 concurrent troubles. The Company shall be entitled to recover planning and preparation activities in advance of severe weather if the weather forecast for the event shows a Schneider Electric Event Index ("EII") level of 3 or greater with a high probability of occurrence. The activities for which the Company may seek recovery include pre-staging of crews, standby arrangements with external contractors, incremental compensation of employees, and other costs that may be incurred to prepare for a qualifying major storm.

III. CONDITIONS

This Agreement is expressly conditioned upon the Commission's acceptance of all its terms, without change or condition. If the Commission does not accept this Agreement in its entirety, without change or condition, or if the Commission makes any findings that go beyond the scope of this Agreement, and any of the Settling Parties notify the Commission within five business days of their disagreement with any such changes, conditions or findings, the Agreement shall be deemed to be withdrawn, in which event it shall be deemed to be null and void and without effect, shall not constitute any part of the record in this proceeding, shall not be relied upon by Staff or any party to this proceeding or by the Commission for any other purpose.

The Settling Parties agree that the Commission's approval of this Agreement will not constitute continuing approval of or precedent for, any particular principle or issue, but such acceptance does constitute a determination that the adjustments and provisions set forth herein in their totality are just and reasonable and consistent with the public interest and that the revenues contemplated will be just and reasonable under the circumstances.

The discussions that produced this Agreement have been conducted on the understanding that all offers of settlement and settlement discussions relating to this docket shall be confidential, shall not be admissible as evidence in this proceeding, 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.

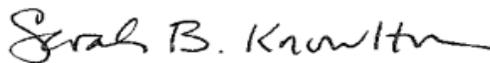
The information and testimony previously provided in this proceeding are not expected to be subject to cross-examination by the Settling Parties, which would normally occur in a fully litigated case. The Settling Parties agree that all direct testimony and supporting documentation should be admitted as full exhibits for purposes of consideration of this Agreement. Agreement to admit all direct testimony without challenge does not constitute agreement by the Settling

Parties that the content of the written testimony filed on behalf of any of the parties is accurate or what weight, if any, should be given to the views of any witness. The identification of the resolution of any specific issue in this Agreement does not indicate any of the Settling Parties' agreement to such resolution for purposes of any future proceeding, nor does the reference to any other document bind the Settling Parties to the contents of, or recommendations in, such document for purposes of any future proceeding. The Commission's approval of the recommendations in this Agreement shall not constitute a determination or precedent with regard to any specific adjustments, but rather shall constitute only a determination that the income requirement and rates resulting from this Agreement are just and reasonable. Furthermore, in light of the fact that they have entered into this Agreement, the Settling Parties have agreed to forego cross-examining witnesses regarding their pre-filed testimony and, therefore, the admission into evidence of any witness's testimony or supporting documentation shall not be deemed in any respect to constitute an admission by any party to this Agreement as to the validity of any allegation or contention in this proceeding, except that the sworn testimony of any witness shall constitute an admission by such witness.

This Agreement may be executed by facsimile and in counterparts, each of which shall be deemed to be an original, and all of which, taken together, shall constitute one agreement binding on all parties hereto.

Dated: January 22, 2014

GRANITE STATE ELECTRIC COMPANY
D/B/A LIBERTY UTILITIES



By its Attorney
Sarah Knowlton

Dated: January 22, 2014

STAFF OF THE NEW HAMPSHIRE PUBLIC
UTILITIES COMMISSION



By its Attorney
Suzanne Amidon

Dated: January __, 2014

OFFICE OF CONSUMER ADVOCATE

By its Attorney
Susan Chamberlin

Granite State Electric Company
DE 13-063
Permanent Rates
Revenue Requirement

<u>Line #</u>		<u>Revenue Requirement</u>	
1	Rate Base (Sched. 2)	68,061,578	
2			
3	Rate of Return	<u>7.92%</u>	
4			
5	Operating Income Requirement	5,392,179	
6			
7	Operating Income (Sched. 3)	<u>(502,088)</u>	
8			
9	Revenue Deficiency Before Taxes	5,894,267	
10			
11	Gross Revenue Conversion Factor (Sched. 1A)	<u>1.6559</u>	
12			
13	Revenue Deficiency	9,760,336	
14			
15	Test Year Operating Revenue (Sched. 3)	<u>26,542,848</u>	
16			
17	Revenue Requirement	<u><u>36,303,184</u></u>	
18			
19	Percentage Increase to Distribution Service Revenues	<table border="1" style="display: inline-table;"><tr><td style="text-align: center;">36.77%</td></tr></table>	36.77%
36.77%			

**Attachment A
Schedule 1A**

**Granite State Electric Company
DE 13-063
Effective Tax Factor**

1	Taxable Income	100.00%
2		
3	Less: NH Business Profits Tax	<u>8.50%</u>
4		
5	Federal Taxable Income	91.50%
6		
7	Federal Income Tax Rate	<u>34.00%</u>
8		
9	Effective Federal Income Tax Rate	31.11%
10		
11	Add: NH Business Profits Tax	<u>8.50%</u>
12		
13	Effective Tax Rate	<u><u>39.61%</u></u>
14		
15		
16	Percent of Income Available if No Tax	100.00%
17		
18	Effective Tax Rate	<u>39.61%</u>
19		
20	Percent Used as a Divisor in Determining	
21	the Revenue Requirement	<u><u>60.39%</u></u>
22		
23	Gross Revenue Conversion Factor	<u><u>1.6559</u></u>

**Attachment A
Schedule 1B**

**Granite State Electric Company
DE 13-063
Permanent Rates
Cost of Capital**

<u>Component</u>	<u>Weighted Component Ratio</u>	<u>Cost Rate</u>	<u>Average Cost Rate</u>
Common Equity	55.00%	9.55%	5.25%
Long-Term Debt	<u>45.00%</u>	5.95%	<u>2.67%</u>
	<u>100.00%</u>		7.92%

**Attachment A
Schedule 2**

**Granite State Electric Company
DE 13-063
Permanent Rates
Rate Base**

<u>Line #</u>	<u>Adjusted Rate Base</u>
1 Utility Plant in Service	139,392,833
2	
3 Less: Accumulated Depreciation	<u>54,541,059</u>
4	
5 Net Plant in Service	<u>84,851,774</u>
6	
7 Plus: Materials & Supplies	506,777
8 Cash Working Capital	4,647,835
9 Prepayments	758,805
10	
11 CWIP	0
12 Deferred Tax Debit	0
13 Unamortized Debt Expense	0
14	
15 Less: Accumulated Deferred Income Taxes	22,072,481
16 Other Deferred Credits	0
17 Deferred Tax Credit	0
18 Customer Deposits	658,708
19	
20 Other Rate Base Items	<u>0</u>
21	
22 Total Rate Base	68,034,002
Settlement Adjustments (Net)	<u>27,576</u>
Total Rate Base per Settlement	<u><u>68,061,578</u></u>

Granite State Electric Company
DE 13-063
Permanent Rates
Operating Income Statement
Year Ended December 31, 2012

Line #		Schedule RR-2 (CU)		Adj #	Settlement Distribution Income Statement	PROOF	
		Test Year (Siwinski GWS-1. Sch. 3)	Settlement Adjustments			Revenue Deficiency	Test Year Proforma
1	Distribution Revenue	25,079,346	(72,132)	1	25,007,214	9,760,336	34,767,550
2	Flow-Through Revenue	0			0		0
3	Other Operating Revenue	1,535,634			1,535,634		1,535,634
4	Total Operating Revenues	<u>26,614,980</u>	<u>(72,132)</u>		<u>26,542,848</u>	<u>9,760,336</u>	<u>36,303,184</u>
5							
6	Operating Expenses:						
7	Purchased Power	0			0		0
8	Transmission	(4,783)			(4,783)		(4,783)
9	Distribution	6,569,739			6,569,739		6,569,739
10	Customer Accounting	2,332,927			2,332,927		2,332,927
11	Customer Service & Information	129,488			129,488		129,488
12	Administrative & General	11,199,160	714,376	2	11,913,536		11,913,536
13	Operation and Maintenance Expenses	<u>20,226,531</u>	<u>714,376</u>		<u>20,940,907</u>	<u>0</u>	<u>20,940,907</u>
14							
15	Depreciation	3,279,420	715,852	3	3,995,272		3,995,272
16	Amortization	0			0		0
17	Taxes Other than Income	3,591,499			3,591,499		3,591,499
18	Federal & State Income Tax	* (924,156) *	(595,085)	4	(1,519,241)	3,866,069	2,346,828
19		<u>0</u>	<u></u>		<u>0</u>	<u></u>	<u>0</u>
20							
21	Total Operating Expenses	<u>26,173,294</u>	<u>835,143</u>		<u>27,008,437</u>	<u>3,866,069</u>	<u>30,874,506</u>
22							
23							
24	Net Operating Income	441,686	(907,275)		(465,589)	5,894,267	5,428,678
25							
26	Less: Interest on Customers' Deposits	<u>36,499</u>	<u>0</u>		<u>36,499</u>	<u>0</u>	<u>36,499</u>
27							
28	Net Operating Income	<u>405,187</u>	<u>(907,275)</u>		<u>(502,088)</u>	<u>5,894,267</u>	<u>5,392,179</u>

* Adjustments to income taxes in Attachment Staff 3-4.3

Granite State Electric Company
DE 13-063
Permanent Rates
Income Statement Adjustments

<u>Adj#</u>			
	<u>DISTRIBUTION REVENUE</u>		
1	Settlement Adjustments (Net)	72,132	
	Total Adjustments to Distribution Revenue		72,132
	 <u>O&M EXPENSES - ADMINISTRATIVE & GENERAL</u>		
2	Settlement Adjustments (Net)	714,376	
	Total Adjustments to Distribution Expenses		714,376
	 <u>DEPRECIATION EXPENSE</u>		
3	Settlement Adjustments (Net)	715,852	
	Total Adjustments to Depreciation Expense		715,852

**Granite State Electric Company
DE 13-063
Proforma Adjustments to Income Taxes
(\$000s)**

<u>Adj #</u>			
	<u>INCOME TAXES</u>		
	To reflect the income tax effect of proforma adjustments to revenue and expenses:		
	Total proforma adjustments to Distribution Revenue	(72,132)	Schedule 3A
	Total proforma adjustments to Other Operating Revenue		Schedule 3A
	Total proforma adjustments to Transmission expenses		Schedule 3A
	Total proforma adjustments to Distribution expenses		Schedule 3A
	Total proforma adjustments to Customer Accounting expenses		Schedule 3A
	Total proforma adjustments to Customer Service expenses		Schedule 3A
	Total proforma adjustments to Administrative & General Expenses	714,376	Schedule 3A
	Total proforma adjustments to Depreciation expenses	715,852	Schedule 3A
	Total proforma adjustments to Amortization expenses		Schedule 3A
	Total proforma adjustments to Return on Customers' Deposits		Schedule 3A
	Increase in Income Subject to New Hampshire Business Profits Tax	<u>(1,502,360)</u>	
	New Hampshire Business Profits Tax @ 8.5%	<u>(127,701)</u>	
4	Increase to New Hampshire Business Profits Tax		(127,701)
	Amount Subject to Federal Income Tax	(1,374,659)	
	Federal Income Tax @ 34%	(467,384)	
4	Increase to Federal Income Tax		<u>(467,384)</u>
	Total Adjustments to Current Income Taxes (to Schedule 3)		<u><u>(595,085)</u></u>

Granite State Electric Company
Step Adjustment- 2013

Schedule 4

Line	Description	FERC Account							Total
		Substation	OH Conductors	OH Conductors	UG Conduits	UG Conductors, Devices	Structures	Fleet	
1	Deferred Tax Calculation	362	364	365	366	367	390	392	
2	Capital Spending	3,755,000	837,500	925,000	325,000	237,500	1,382,500	0	7,462,500
4	Tax method	MACRS20	MACRS20	MACRS20	MACRS20	MACRS20	MACRS20	MACRS5	
5	Tax Depr. Rate, 20-year MACRS	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	20.00%	
7	Annual Tax Depreciation- Year 1	140,813	31,406	34,688	12,188	8,906	51,844	0	279,844
9	Book Depreciation Rate- Year 1	1.40%	1.63%	1.60%	1.00%	1.59%	0.84%	3.75%	
10	Annual Book Depreciation	52,570	13,609	14,754	3,250	3,764	11,613	0	99,561
12	Tax over (under) Book	88,243	17,797	19,934	8,938	5,142	40,231	0	180,283
13	Deferred Tax Balance @ 39.61%	34,953	7,049	7,896	3,540	2,037	15,935	0	71,410
15	Rate Base Calculation								
16	Plant in Service	3,755,000	837,500	925,000	325,000	237,500	1,382,500	0	7,462,500
17	Accumulated Depreciation	(52,570)	(13,609)	(14,754)	(3,250)	(3,764)	(11,613)	0	(99,561)
18	Deferred Tax Balance	(34,953)	(7,049)	(7,896)	(3,540)	(2,037)	(15,935)	0	(71,410)
19	Rate Base	3,667,477	816,841	902,350	318,210	231,699	1,354,952	0	7,291,529
21	Revenue Requirement Calculation								
22	Return on Rate Base @ 11.36%	416,753	92,822	102,539	36,160	26,329	153,970	0	828,572
23	Depreciation Expense	52,570	13,609	14,754	3,250	3,764	11,613	0	99,561
24	Property Tax, Insurance @ 2.51%	94,080	20,983	23,175	8,143	5,950	34,638	0	186,969
25	Annual Revenue Requirement	563,403	127,414	140,468	47,552	36,044	200,221	0	1,115,102
26	Less: Leased vehicles in rates (including bad debt expense, CWC and return)							0	0
27		563,403	127,414	140,468	47,552	36,044	200,221	0	1,115,102
28	Annual kWh Delivered								924,629,419
29	Rate per kWh								\$0.00121
31	Rate of Return Calculation	Portion	After-Tax Co	WACC		Pre-Tax	Bad Debt		
32	Equity	55.0%	9.55%	5.25%		8.69%	8.69%		
33	Debt	45.0%	5.95%	2.67%		2.67%	2.67%		
34		<u>100.0%</u>		<u>7.92%</u>		<u>11.36%</u>	<u>11.36%</u>		
35	Bad Debt adder							0.00%	
37	2013 Capital Projects	Substation	Poles, Towers, Fixtures	OH Conductors	UG Conduits	UG Conductors, Devices	Structures	Fleet	Total
38	04381 Michael Ave Substation	2,900,000							2,900,000
39	04384 Hanover Sub-New 6L2 Regs	350,000							350,000
40	04383 Craft Hill Sub- New 11L1 Regs	255,000							255,000
41	1L4 Replacement Regulators	250,000							250,000
42	11255 Michael Ave Getaway		237,500	237,500	237,500	237,500			950,000
43	11484 Enfield Supply		600,000	600,000					1,200,000
44	7L1 Line Regulator Upgrade - Canaan			87,500	87,500				175,000
45	Other Capital Improvements (Estimated)						400,000		400,000
46	Capital improvements to existing buildings						400,000		400,000
47	Security Conversion GSE						82,500		82,500
48	9 Lowell Rd. Salem Build Out						500,000		500,000
49	Replacement Vehicles							0	0
50	Total	3,755,000	837,500	925,000	325,000	237,500	1,382,500	0	7,462,500
54	Municipal taxes								3,105,076
55	Injuries and Damage (Insurance expense)								376,571
56	Maintenance of General Plant								10,769
57									<u>3,492,416</u>
58	Plant at Cost								139,392,833
59	As % of Plant Cost								2.51%

Granite State Electric Company

Depreciation Service Lives and Net Salvage Value

Docket No. DE 13-063

	<u>Average Service Lives (Years)</u>	<u>Net Salvage Value (%)</u>
<u>Distribution Plant</u>		
361 Structures and Improvements	41	-5.0
362 Station Equipment	41	-15.0
364 Poles Towers and Fixtures	40	-30.0
365 Overhead Conductors and Devices	40	-27.5
366 Underground Conduits	55	-10.0
367 Underground Conductors and Devices	41	-30.0
368 Line Transformers	37	-30.0
369 Services	45	-42.5
370 Meters	22	-15.0
372 Installations on Customers' Premises	24	0.0
373 Street Lighting and Signal Systems	30	-30.0
<u>General Plant</u>		
390 Structures and Improvements	64	-7.5
391 Office Furniture and Equipment	25	0.0
392 Transportation Equipment	12	10.0
393 Stores Equipment	30	0.0
394 Tools, Shop and Garage Equipment	24	0.0
395 Laboratory Equipment	33	0.0
397 Communication Equipment	22	0.0
398 Miscellaneous Equipment	26	0.0

LINE EXTENSIONS

POLICY 1:

LINE EXTENSION POLICY FOR INDIVIDUAL RESIDENTIAL CUSTOMERS

I. Applicability

1. General

When an individual residential customer (“Customer”) requests that a distribution line be extended to serve the Customer’s single family or duplex home the terms of this policy shall apply.

This policy provides for standard single phase residential service. Service above and beyond standard residential service may result in additional cost to the Customer. Additional information is contained in the Company’s “Specification for Electrical Installations” booklet located on the Company’s website and the Company’s Terms and Conditions as filed with the New Hampshire Public Utilities Commission.

2. Temporary Service

This policy shall not apply to lines constructed for temporary service. Temporary service is defined in the Company’s Terms and Conditions. The Company should be contacted regarding the cost and availability of temporary service.

3. Street Lights

This policy shall not apply to street lights.

4. Seasonal Service

This policy shall not apply to lines constructed for seasonal service. The Company should be contacted regarding the cost and availability of seasonal service.

II. Construction of Facilities

1. Line Extension on Public Way and Private Property

1A. General

No distinction shall be made between line extensions on public ways or private property except where specifically noted.

1B. Overhead Line Extension

Pursuant to RSA 370:12, Customers requiring an overhead line extension on private property may opt to hire and pay a private line contractor, licensed by the state and approved by the Company, to construct such overhead power line extension on private property. The contractor shall supply and install all materials as specified by the Company. Overhead line extensions must be designed by the Company and built to its specifications in order for the Company to assume ownership of the line. The Company has the right to refuse to accept a line extension that does not conform to the Company’s specifications. Customers may not contract with private line contractors to construct line extensions along public ways.

The Company shall be responsible for:

- i. installing, owning and maintaining all poles, primary and secondary wires, transformers, service drops, meters, etc. that, in its opinion, are required to provide adequate service;
- ii. designating the location of all Company owned equipment, the service entrance and meter location(s) at the house; and
- iii. blasting and tree trimming and removal along public ways; the Company may charge the Customer the cost of such blasting and tree trimming and removal if, in the Company's opinion, such cost is excessive.

The Customer, at no cost to the Company, shall be responsible for:

- i. blasting and tree trimming and removal on private property in accordance with the Company's specifications and subject to the Company's inspection.

1C. Underground Line Extension

The Company will connect the Customer's underground primary distribution line extension to the Company's distribution system under the conditions shown below.

The Company shall be responsible for:

- i. designating the riser pole location;
- ii. designating the location of all Company owned equipment, the service entrance and meter location(s);
- iii. providing the company owned boxpad foundation;
- iv. providing, installing, owning and maintaining the transformer and meter; and
- v. making all connections to Company equipment.

The Customer, at no cost to the Company, shall be responsible for:

- i. providing, prior to the start of the Company's construction, all applicable documents required for the Company to prepare easements for its facilities to be installed on private property;
- ii. installing a steel riser at the Company's designated pole, including a 90 degree sweep and bonding clamp with a copper wire tap;
- iii. providing, installing, owning and maintaining all required foundations (except for Company boxpad foundations), handholes, manholes, grounding systems, primary and secondary cable, and conduit including spacers, glue and pulling strings, etc.;
- iv. installing boxpad foundations, provided by the Company, as indicated on the Company's plan and related construction documents; and
- v. installing, owning, and maintaining all service conduit and service cable from the Company's equipment to the designated meter location(s).

III. Customer Responsibilities

1. Easements

The Company will require the Customer to provide the Company with easements, drafted by the Company, for all Company owned facilities located on private property. The Customer will provide these easements prior to the start of the Company's construction and at no cost to the Company.

2. Code Compliance

All construction must be in accordance with the Company's Construction Standards and the "Information and Requirements for Electric Service" booklet as published by the Company from time to time and shall comply with codes and requirements of legally constituted authorities having jurisdiction.

3. Environmental Permits

The Customer shall be responsible for obtaining any required environmental permits prior to the start of construction.

IV. Payment Required

1. Overhead Line Extension

1A. Overhead Cost per Foot

The "Overhead Cost per Foot" will be a predetermined cost per foot calculated by the Company. This cost is located in the Schedule of Fees for Line Extensions in the Company's Terms and Conditions.

1B. Total Allowed Overhead Line Distance per House

The Company will provide a predetermined length of overhead distribution line, plus a service drop per house, free of charge ("Allowed Overhead Line Distance per House"). The service drop is considered to be from the last pole to the house.

The "Allowed Overhead Line Distance per House" will be a predetermined distance per home as stated in the Schedule of Fees for Line Extensions in the Company's Terms and Conditions.

1C. Overhead Installation Charge

If the total line distance required to serve the house is in excess of the "Allowed Overhead Line Distance per House," there will be a charge to the Customer ("Overhead Installation Charge"). The "Overhead Installation Charge" will be equal to the "Overhead Cost per Foot" times the number of feet in excess of the "Allowed Overhead Line Distance per House."

2. Underground Line Extension

The Company will estimate its cost of providing the necessary equipment to connect the Customer's line extension to the Company's distribution system. The Customer will be required to pay an "Underground Installation Charge" equal to such estimated cost minus an amount equal to the cost of the "Allowed Overhead Line Distance per House"

If an overhead line extension is built in combination with an underground line extension, the credit for the "Allowed Overhead Line Distance" will only be applied once.

When the above results in a negative number, there shall be no "Underground Installation Charge."

3. Payment Terms

If the "Overhead/Underground Installation Charge" is less than \$3,000, the Customer will be required to pay the entire amount before the start of the construction.

If the "Overhead/Underground Installation Charge" is \$3,000 or greater, the Customer will have the option to either pay the entire amount before the start of the construction, or sign an agreement to pay the amount in 60 equal monthly payments, plus interest at the rate of interest applicable to the Company's customer deposit accounts at the time of execution of the payment agreement.

The Company reserves the right to place a lien on the property until such time that the obligation is fulfilled.

4. More Than One Customer

Where overhead service is requested by more than one Customer under this policy at the same time, for the same line, the "Overhead Installation Charge" will be apportioned among those Customers, based on the amount of line attributable to each Customer. The Company will determine the equitable apportioning of the total estimated construction costs between the Customers. The calculation of the "Overhead Installation Charge" shall allow for a credit equal to "Allowed Overhead Line Distance per House" for each Customer.

5. Customer Added After Initial Construction

At the original Customer's request, if a new Customer (or group of Customers) is supplied service from facilities constructed under this policy, and if such service begins within five years from the date of the first payment received by the Company from the original Customer or group of Customers, the Company will require such new Customer(s) to make a prorated contribution to the payment of the initial "Overhead Installation Charge." Any contribution received from a new Customer(s) will be used to proportionately reduce the original Customer's "Overhead Installation Charge." The Company will determine the equitable apportioning of the total estimated construction costs between the Customers. However, no refunds will be paid in excess of the original Customer(s) "Overhead Installation Charge." In addition, a credit for the "Allowed Overhead Line Distance per House" for each Customer will be applied.

6. Change of Customer

The Customer must agree, as a condition for the line extension monthly payments, that if the Customer sells, leases or otherwise transfers control and use of the home to another individual (“New Occupant”), and such “New Occupant” opens a new account with the Company, the Customer will obtain an agreement from the “New Occupant” to pay the remaining balance as prescribed in the agreement of the Overhead Installation Charge that would have been owed by the Customer at that location. Unless the “New Occupant” signs a new superseding payment agreement with the Company, the original Customer will remain personally liable for the balance owed.

V. Line Extension Agreement

The Company may require the Customer to sign an agreement setting forth the terms of this policy and any other terms that the Company deems are reasonably necessary in connection with the installation to the Customer’s home, provided that such terms are not inconsistent with the terms expressed in this policy.

The Company, at its sole discretion, may refuse the request for a line extension if appropriate permits and easements cannot be obtained or if applicable codes and standards cannot be met.

The Company will begin construction when the service agreement and easement (if required) are signed and the payment is received.

The Company may, at its option, decline to undertake construction during the period of December 1 to April 1 of each year.

POLICY 2:
LINE EXTENSION POLICY FOR RESIDENTIAL DEVELOPMENTS

I. Applicability

1. General

When a developer, contractor, builder or other entity other than an individual residential customer (“Customer”) proposing to construct individual homes or a residential development of single family or duplex homes, requests that distribution lines be constructed to serve the homes or development and no suitable distribution facilities exist, the terms of this policy shall apply. This policy applies to a Customer whenever it is building more than one single family or duplex home.

This policy provides for standard single phase residential service. Service above and beyond standard residential service may result in additional cost to the Customer. Additional information is contained in the Company’s “Specification for Electrical Installation” booklet located on the Company’s website and the Company’s Terms and Conditions as filed with the New Hampshire Public Utilities Commission.

2. Temporary Service

This policy shall not apply to lines constructed for temporary service. Temporary service is defined in the Company’s Terms and Conditions. The Company should be contacted regarding the cost and availability of temporary service.

3. Street Lights

This policy shall not apply to street lights. All street light installations will be made in accordance with the Company’s street light tariffs approved by the New Hampshire Public Utilities Commission. The Company should be consulted regarding street light rates, costs and availability.

II. Construction of Facilities

1. Line Extension on Public and Private Ways

1A. General

No distinction shall be made between line extensions on public ways or private ways except where specifically noted.

1B. Overhead Line Extension

The Company shall be responsible for:

- i. installing, owning and maintaining all poles, primary and secondary wires, transformers, service drops, meters, etc. that, in its opinion, are required to provide adequate service;
- ii. designating the location of all Company owned equipment, excluding street lights, and the service entrance and meter location(s) at each house; and
- iii. blasting and tree trimming and removal along public ways; the Company may charge the Customer the cost of such blasting and tree trimming and removal if in the Company’s opinion such cost is excessive.

The Customer, at no cost to the Company, shall be responsible for:

- i. blasting and tree trimming and removal on private property, including roadways not accepted as public ways by the municipality, in accordance with the Company's specifications and subject to the Company's inspection.

The Company may, at its discretion, construct the distribution line in segments, rather than all at once in the proposed development. The Company may, at its option, be exempt from undertaking construction during the period of December 1 to April 1 each year.

1C. Underground Line Extension

The Company shall be responsible for:

- i. developing the plan to provide underground electric service;
- ii. supplying a list of approved manufacturers and their part numbers for equipment to be supplied by the Customer;
- iii. designating the location of all Company owned equipment, excluding street lights, and the service entrance and meter location(s);
- iv. providing Company owned street light foundations;
- v. providing, installing, owning and maintaining all transformers, Company owned street lights, primary and secondary cable, except services;
- vi. making all connections to Company equipment; and
- vii. inspecting the underground conduit system and equipment foundations installed by the Customer, prior to backfilling.

The Customer, at no cost to the Company, shall be responsible for:

- i. providing, prior to the start of the Company's construction, all applicable documents required for the Company to prepare easements for its facilities to be installed on private property;
- ii. providing and installing all required foundations (except for Company owned street light foundations), handholes, manholes, grounding systems, and conduit including spacers, glue and pulling strings, etc. as indicated on the Company's plan and related construction documents;
- iii. installing foundations, provided by the Company, for Company owned street lights;
- iv. supplying copies of all invoices, when requested, indicating manufacturer and part number for all such equipment listed above; equipment that is not approved shall not be used without the prior written consent of the Company;
- v. installing, owning, and maintaining all secondary services and service conduit from the Company's equipment to each designated meter location; and

- vi. turning over ownership of the conduit system, excluding the service conduit, to the Company upon inspection and acceptance of the conduit system by the Company.

The Company may, at its discretion, construct the distribution line in segments, rather than all at once in the proposed development. The Company may, at its option, be exempt from undertaking construction during the period of December 1 to April 1 each year.

III. Customer Responsibilities

1. Easements

The Company will require the Customer to provide the Company with easements, drafted by the Company, for all Company owned facilities located on private property. The Customer will provide these easements prior to the start of the Company's construction and at no cost to the Company.

2. Code Compliance

All construction must be in accordance with the Company's Construction Standards and the "Specification for Electrical Installation" booklet as published by the Company from time to time and shall comply with codes and requirements of legally constituted authorities having jurisdiction.

3. Environmental Permits

The Customer shall be responsible for obtaining any required environmental permits prior to the start of construction.

4. Plans and Other Documents

The total number of house lots proposed to be constructed will be provided in advance to the Company by the Customer, along with a complete copy of the subdivision plans approved by the planning board in the municipality, if such is required by the municipality. The Company need not begin design work prior to receipt of the approved plans.

The Company may require the Customer to provide, in advance and at no cost to the Company, the following:

- i. a copy of the approval of the planning board for the subdivision;
- ii. a copy of all permits and approvals that have been obtained for constructing the development;
- iii. easements, drafted by the Company, for all facilities required to serve the development;
- iv. the name and address of the financial institution providing financing for the development, including a contact person and phone number;
- v. a copy of a street light proposal for the development, approved by the municipality, or written notice from the municipality that street lighting will not be required; if installation is requested after construction is complete, additional costs, may be borne by the municipality and/or Customer if the tariff does not collect all costs of construction;
- vi. a schedule of Customer's best estimate for the construction of homes in the development; and
- vii. such other reasonable information that may be requested to confirm the viability of the

development.

IV. Payment Required

1. Overhead Installation Charge

1A. Definition of Centerline Feet

The centerline feet calculation will be defined as the total length of all roadways within the subdivision.

1B. Overhead Cost per Centerline Foot

The “Overhead Cost -per Centerline Foot” will be a predetermined cost per centerline foot calculated by the Company. This cost is located in Schedule of Fees for Line Extensions in the Company’s Terms and Conditions.

The “Overhead Cost per Centerline Foot” assumes that service points are in close proximity to roadways. When more than one span of wire is required to reach the service point from the roadway, the Company reserves the right to require the Customer to pay any excess costs to reach the service point.

1C. Total Allowed Overhead Distance

The Company will provide a predetermined length of centerline feet per house lot free of charge (“Allowed Overhead Distance per House”).

The “Total Allowed Overhead Distance” for the development is equal to the number of house lots times the “Allowed Overhead Distance per House.”

The predetermined “Allowed Overhead Distance per House” can be located in The Schedule of Fees for Line Extensions in the Company’s Terms and Conditions.

1D. Overhead Installation Charge

If the total centerline feet within the development are greater than the “Total Allowed Overhead Distance,” then there will be a charge to the Customer (“Overhead Installation Charge”).

The “Overhead Installation Charge” will be equal to the “Overhead Cost Per Centerline Foot” times the number of centerline feet in excess of the “Total Allowed Overhead Distance.”

The “Overhead Installation Charge” shall be paid by the Customer in advance of the Company’s construction.

The “Overhead Installation Charge” is non-refundable if the line is built.

2. Underground Installation Charge

2A. Definition of Centerline Feet

The centerline feet calculation will be defined as the total length of all roadways within the subdivision.

2B. Underground Cost per Centerline Foot

The “Underground Cost per Centerline Foot” will be a predetermined cost per centerline foot calculated by the Company. This cost is located in the Schedule of Fees for Line Extensions in the Company’s Terms and Conditions.

The “Underground Cost per Centerline Foot” is calculated assuming all Company facilities terminate within 2 feet of the roadway.

2C. Total Allowed Underground Distance

The Company will provide a predetermined length of centerline feet per house lot free of charge (“Allowed Underground Distance per House”).

The “Total Allowed Underground Distance” for the development is equal to the number of house lots times the “Allowed Underground Distance per House.”

The predetermined “Allowed Underground Distance per House” can be located in Appendix A of the Company’s Terms and Conditions.

2D. Underground Installation Charge

If the total centerline feet within the development are greater than the “Total Allowed Underground Distance”, then there will be a charge to the Customer (“Underground Installation Charge”).

The “Underground Installation Charge” will be equal to the “Underground Cost Per Centerline Foot” times the number of centerline feet in excess of the “Total Allowed Underground Distance.”

The “Underground Installation Charge” shall be paid by the Customer in advance of the Company’s construction.

The “Underground Installation Charge” is non-refundable if the line is built.

3. Additional Advance Payments

If there is a cost to get to the limits of the development, the Company may charge the Customer this additional cost.

V. Line Extension Agreement

The Company may require the Customer to sign an agreement setting forth the terms of this policy and any other terms that the Company deems are reasonably necessary in connection with the installation to the Customer’s homes or residential development, provided that such terms are not inconsistent with the terms expressed in this policy.

The Company, at its sole discretion, may refuse the request for a line extension if appropriate permits and easements cannot be obtained or if applicable codes and standards cannot be met.

POLICY 3

LINE EXTENSION POLICY FOR INDIVIDUAL COMMERCIAL AND INDUSTRIAL CUSTOMERS

I. Applicability

1. General

When a commercial or industrial Customer, developer, contractor, builder or other entity (“Customer”) requests service for new or increased load to a single lot, the terms of this policy shall apply.

Additional information is contained in the Company’s “Specification for Electrical Installation” booklet located on the Company’s website and the Company’s Terms and Conditions as filed with the New Hampshire Public Utilities Commission.

2. Temporary Service

This policy shall not apply to lines constructed for temporary service. Temporary service is defined in the Company’s Terms and Conditions. The Company should be contacted regarding the cost and availability of temporary service.

3. Street Lights

This policy shall not apply to street lights.

II. Construction of Facilities

1. Line Extension on Public Way and Private Ways

1A. General

No distinction shall be made between line extensions on public ways or private ways except where specifically noted.

1B. Overhead Line Extension

Pursuant to RSA 370:12, Customers requiring an overhead line extension on private property may opt to hire and pay a private line contractor, licensed by the state and approved by the Company, to construct such overhead power line extension on private property. The contractor shall supply and install all materials as specified by the Company. Overhead line extensions must be designed by the Company and built to its specifications in order for the Company to assume ownership of the line. The Company has the right to refuse to accept a line extension that does not conform to the Company’s specifications. Customers may not contract with private line contractors to construct line extensions along public ways.

When overhead service is requested, the Company shall be responsible for:

- i. installing, owning and maintaining all poles, primary and secondary wires, transformers, service drops, meters, etc. that, in its opinion, are required to provide adequate service;
- ii. designating the location of all Company owned equipment, excluding street lights, and the service entrance and meter location(s); and

- iii. blasting and tree trimming and removal along public ways; the Company may charge the Customer the cost of such blasting and tree trimming and removal if, in the Company's opinion, such cost is excessive.

The Customer, at no cost to the Company, shall be responsible for:

- i. blasting and tree trimming and removal on private property, including roadways not accepted as public ways by the municipality, in accordance with the Company's specifications and subject to the Company's inspection.

The Company may, at its discretion, construct the distribution line in segments, rather than all at once in the proposed development.

1C. Underground Line Extension

The Company will connect the Customer's underground primary distribution line extension to the Company's distribution system under the conditions shown below.

The Company shall be responsible for:

- i. developing the plan to provide underground electric service;
- ii. designating the location of all Company owned equipment, the service entrance and meter location(s);
- iii. providing, installing, owning and maintaining all transformers and meters; and
- iv. making all connections to Company equipment.

The Customer, at no cost to the Company, shall be responsible for:

- i. providing, prior to the start of the Company's construction, all applicable documents required for the Company to prepare easements for its facilities to be installed on private property;
- ii. providing, installing, owning and maintaining all required foundations, handholes, manholes, grounding systems, primary and secondary cable, and conduit including spacers, glue and pulling strings, etc.; and
- iii. retaining ownership of transformer foundations, grounding systems, all primary and secondary cables and all conduit on private property.

The Company may, at its option, be exempt from undertaking construction during the period of December 1 to April 1 each year.

III. Customer Responsibilities

1. Easements

The Company will require the Customer to provide the Company with easements, drafted by the Company, for all Company owned facilities located on private property. The Customer will provide these easements prior to the start of the Company's construction and at no cost to the Company.

2. Code Compliance

All construction must be in accordance with the Company's Construction Standards and the "Specification for Electrical Installation" booklet as published by the Company from time to time and shall comply with codes and requirements of legally constituted authorities having jurisdiction.

3. Environmental Permits

The Customer shall be responsible for obtaining any required environmental permits prior to the start of construction.

4. Plans and Documentation

The Company may require the Customer to provide, in advance of engineering design and at no cost to the Company, the following:

- i. a complete copy of construction plans including the subdivision plans approved by the planning board in the municipality, if such is required by the municipality;
- ii. the estimated new or additional electrical loads, as far as is known by the Customer; or the names and estimated loads of proposed tenant or buyer for the building or the proposed type of occupant, as far as is known by the Customer; barring a known occupant, the Customer's best estimates of the likely load of the proposed building;
- iii. all applicable documents required for the Company to prepare an easement for its facilities to be installed on private property;
- iv. a copy of the approval of the planning board for the subdivision, if such is required;
- v. a copy of all permits and approvals that have been obtained for construction;
- vi. the name and address of the financial institution providing financing for the Customer, including a contact person and phone number;
- vii. a schedule of the Customer's best estimate for construction; and
- viii. such other reasonable information that may be requested.

IV. Payment Required

1. Construction Advance

The Company will determine facilities required to meet the distribution service requirements of the Customer. Facilities in excess of those required to meet the distribution service requirements of the Customer are outside the scope of this policy and may entail additional payments from the Customer.

In accordance with the Formula below (the "Formula"), the Company shall determine whether a payment, by the Customer, of a Construction Advance shall be required. The Construction Advance shall be paid in full prior to the start of any construction.

$$\text{Construction Advance (A)} = C - (R/k)$$

Where:

- A = the Construction Advance paid to the Company by the Customer.
- C = the total estimated cost of construction for facilities required exclusively to meet the distribution service requirement of the Customer. This cost includes capital and non-capital costs. Where these new or upgraded facilities are not solely to provide service to the Customer, the Company shall appropriately apportion these costs.
- R = the annual Distribution Revenue derived from the Customer within the first year following the completion of the Company's construction of the facilities.
- k = the annual carrying charges measured at the time of construction, expressed as a decimal.

Where the calculation of (A) results in a positive number, a construction advance in the amount of (A) shall be required from the customer. Where the calculation of (A) results in a negative number, (A) shall be considered to be zero. When the calculation of (A) results in a construction advance of \$500 or less, the payment of the construction advance will be waived.

The Company shall exercise good faith in making each estimate and determination required above.

Any revenues from Energy Service shall be excluded from this calculation.

2. Refund

Whenever the Company collects a Construction Advance from the Customer, the Customer has the option to request the Company to perform a one-time recalculation of the Construction Advance payment using actual construction costs and actual distribution revenue to determine if a refund of all or a portion of the original payment is warranted. The request for the one-time review may be made at any time between twelve and thirty-six months after commencement of delivery of electricity.

To determine the refund the Construction Formula shall be modified as follows:

- C = the actual cost of construction. If the actual cost of construction exceeds the estimate, then the estimated cost of construction shall be used. This cost includes capital and non-capital costs. Where these new or upgraded facilities are not solely to provide service to the Customer, the Company shall appropriately apportion these costs.
- R = the actual additional annual distribution revenue for the most recent twelve months.
- k = the annual carrying charge factor, expressed as a decimal.

If a lower or negative (A) results from applying the Formula as so modified, and if, in the Company's opinion, a risk does not exist regarding either a future reduction in the level of the Customer's usage or the collectability of the Customer's account, then the Company shall refund a portion of, or the entire calculated Construction Advance or the full cost of construction, without interest. In no case shall the amount refunded exceed the original construction advance (A), nor shall the review result in additional payments from the customer.

3. Additional Payment

When in the Company's opinion, significant engineering is required to determine the method of service or prepare construction estimates, the Company will estimate the cost of such engineering. The Company may charge the Customer this cost before engineering begins. If construction is undertaken, this payment will be applied to any required construction advance. If construction is not undertaken, the Company will refund any balance not spent. If no Construction Advance is required, the entire Additional Advance Payment will be refunded.

POLICY 4
LINE EXTENSION POLICY FOR COMMERCIAL AND INDUSTRIAL DEVELOPMENTS

I. Applicability

1. General

When a developer, contractor, builder or other entity (“Customer”) proposes to construct a commercial or industrial development and no suitable distribution facilities exist, the terms of this policy shall apply. For the purposes of this policy, commercial or industrial customers shall include condominiums, apartments or mobile home complexes.

Additional information is contained in the Company’s “Specification for Electrical Installation” booklet located on the Company’s website and the Company’s Terms and Conditions as filed with the New Hampshire Public Utilities Commission.

2. Temporary Service

This policy shall not apply to lines constructed for temporary service. Temporary service is defined in the Company’s Terms and Conditions. The Company should be contacted regarding the cost and availability of temporary service.

3. Street Lights

This policy shall not apply to street lights. All street light installations will be made in accordance with the Company’s street light tariffs approved by the New Hampshire Public Utilities Commission. The Company should be consulted regarding street light rates, costs and availability.

II. Construction of Facilities

1. Line Extension on Public and Private-Ways

1A. General

No distinction shall be made between line extensions on public or private ways except where specifically noted.

1B. Overhead Line Extension

When overhead service is requested, the Company shall be responsible for:

- i. installing, owning and maintaining all poles, primary and secondary wires, transformers, service drops, meters, etc. that, in its opinion, are required to provide adequate service;
- ii. designating the location of all Company owned equipment, excluding street lights, and the service entrance and meter location(s); and
- iii. blasting and tree trimming and removal along public ways; the Company may charge the Customer the cost of such blasting and tree trimming and removal if, in the Company’s opinion, such cost is excessive.

The Customer, at no cost to the Company, shall be responsible for:

- i. blasting and tree trimming and removal on private property, including roadways not accepted as public ways by the municipality, in accordance with the Company's specifications and subject to the Company's inspection.

The Company may, at its discretion, construct the distribution line in segments, rather than all at once in the proposed development. The Company may, at its option, be exempt from undertaking construction during the period of December 1 to April 1 each year.

1C. Underground Line Extension

When underground service is requested, the Company shall be responsible for:

- i. developing the plan to provide underground electric infrastructure along the traveled way;
- ii. supplying a list of approved manufacturers and their part numbers for equipment to be supplied by the Customer;
- iii. designating the location of all Company owned equipment, excluding street lights, and the service entrance and meter location(s);
- iv. providing Company owned street light foundations;
- v. providing, installing, owning and maintaining all transformers, primary cable, related primary equipment, Company owned street lights, and meters;
- vi. making all connections to Company equipment; and
- vii. inspecting the underground conduit system and equipment foundations installed by the Customer, prior to backfilling.

The Customer, at no cost to the Company, shall be responsible for:

- i. providing, prior to the start of the Company's construction, all applicable documents required for the Company to prepare easements for its facilities to be installed on private property;
- ii. providing and installing all required foundations (except for Company owned street light foundations), handholes, manholes, grounding systems, and conduit including spacers, glue, and pulling strings, etc., as indicated on the Company's plan and related construction documents;
- iii. installing foundations, provided by the Company, for Company owned street lights;
- iv. supplying copies of all invoices, when requested, indicating manufacturer and part number for all such equipment listed above; equipment that is not approved shall not be used without the prior written consent of the Company; and
- v. turning over ownership of the conduit system, to the Company upon inspection and acceptance of the conduit system by the Company.

The Company may, at its discretion, construct the distribution line in segments, rather than all at once

in the proposed development. The Company may, at its option, be exempt from undertaking construction during the period of December 1 to April 1 each year.

III. Customer Responsibilities

1. Easements

The Company will require the Customer to provide the Company with easements, drafted by the Company, for all Company owned facilities located on private property. The Customer will provide these easements prior to the start of the Company's construction and at no cost to the Company.

2. Code Compliance

All construction must be in accordance with the Company's Construction Standards and the "Information and Requirements for Electric Service" as published by the Company from time to time and shall comply with codes and requirements of legally constituted authorities having jurisdiction.

3. Environmental Permits

The Customer shall be responsible for obtaining any required environmental permits prior to the start of construction.

4. Plans and Documentation

The Company may require the Customer to provide, in advance of engineering design and at no cost to the Company, the following:

- i. a complete copy of construction plans including the subdivision plans approved by the planning board in the municipality, if such is required by the municipality;
- ii. the estimated new or additional electrical loads, as far as is known by the Customer; or the names and estimated loads of proposed tenants or buyers for each building or the proposed type of occupant, as far as is known by the Customer; barring a known occupant, the Customer's best estimates of the likely load of each proposed building;
- iii. all applicable documents required for the Company to prepare an easement for its facilities to be installed on private property;
- iv. a copy of the approval of the planning board for the subdivision, if such is required;
- v. a copy of all permits and approvals that have been obtained for construction;
- vi. the name and address of the financial institution providing financing for the Customer, including a contact person and phone number;
- vii. a copy of a street light proposal for the development, approved by the municipality, or written notice from the municipality that street lighting will not be required. If installation is requested after construction is complete, additional cost may be borne by the municipality and/or Customer if the appropriate tariff does not collect all costs of construction;
- viii. a schedule of the Customer's best estimate for construction; and
- ix. such other reasonable information that may be requested.

IV. Payment Required

1. Construction Advance

The Company will determine the roadway infrastructure required to meet the distribution service requirements of the commercial development.

In accordance with the Formula below (the "Formula"), the Company shall determine whether a payment, by the Customer, of a Construction Advance shall be required. The "Allowed Credit per Buildable Lot" (B) will be a predetermined cost calculated by the company. This cost is located in the Schedule of Fees for Line Extensions in the Company's Terms and Conditions. The Construction Advance shall be paid in full prior to the start of any construction.

$$\text{Construction Advance (A)} = C - (B * N)$$

Where:

- A = the Construction Advance paid to the Company by the Customer
- C = the total estimated cost of construction for facilities required along the traveled way to meet the distribution service requirements of the development. This cost includes capital and non-capital costs. Where these new or upgraded facilities are not solely to provide service to the Customer, the Company shall appropriately apportion these costs.
- B = Allowed Credit per buildable lot
- N = Number of buildable lots

Where the calculation of (A) results in a positive number, a construction advance in the amount of (A) shall be required from the customer. Where the calculation of (A) results in a negative number, (A) shall be considered to be zero. When the calculation of (A) results in a construction advance of \$500 or less, the payment of the construction advance will be waived.

The Company shall exercise good faith in making each estimate and determination required above.

Any revenues from Energy Service shall be excluded from this calculation.

2. Additional Payment

When in the Company's opinion, significant engineering is required to determine the method of service or prepare construction estimates, the Company will estimate the cost of such engineering. The Company may charge the Customer this cost before engineering begins. If construction is undertaken, this payment will be applied to any required construction advance. If construction is not undertaken, the Company will refund any balance not spent. If no Construction Advance is required, the entire Additional Advance Payment will be refunded.

Schedule of Fees for Line Extensions

Summary of Fees and Charges- Policy 1

Allowed Overhead Distance per House	300 feet or 1 pole, whichever is greater
Overhead Cost per Foot	\$11.40

Under Policy 1, there is no allowed underground distance for a single residential home. The Customer is given a credit equal to the cost of 300 feet of overhead distribution line towards the construction cost of the underground line extension and the Customers pays for the costs in excess of the amount of the credit.

Summary of Fees and Charges- Policy 2

Allowed Overhead Distance per House	100 feet
Overhead Cost per Foot	\$11.40
Allowed Underground Distance per House	100 feet
Underground Cost per Centerline Foot	\$14.71

Summary of Fees and Charges- Policy 4

Overhead B = Allowed Credit per Buildable Lot	\$4,500
Underground B = Allowed Credit per Buildable Lot	\$4,500

RATES EFFECTIVE APRIL 1, 2014
FOR USAGE ON AND AFTER APRIL 1, 2014

Rate	Blocks	Distribution Charge (1), (2), (3), (4)	Storm Recovery Adjustment Factor	Electricity Consumption Tax	Transmission Charge	System Benefits Charge	Stranded Cost Charge	Total Retail Delivery Services
D	Customer Charge	\$11.81						\$11.81
	1st 250 kWh	\$0.03215	\$0.00329	\$0.00055	\$0.02116	\$0.00330	\$0.00080	\$0.06125
	Excess 250 kWh	\$0.04814	\$0.00329	\$0.00055	\$0.02116	\$0.00330	\$0.00080	\$0.07724
	Off Peak kWh	\$0.03073	\$0.00329	\$0.00055	\$0.02116	\$0.00330	\$0.00080	\$0.05983
	Farm kWh	\$0.04015	\$0.00329	\$0.00055	\$0.02116	\$0.00330	\$0.00080	\$0.06925
	D-6 kWh	\$0.03207	\$0.00329	\$0.00055	\$0.02116	\$0.00330	\$0.00080	\$0.06117
D-10	Customer Charge	\$11.97						\$11.97
	On Peak kWh	\$0.09046	\$0.00329	\$0.00055	\$0.02458	\$0.00330	\$0.00080	\$0.12298
	Off Peak kWh	\$0.00116	\$0.00329	\$0.00055	\$0.02458	\$0.00330	\$0.00080	\$0.03368
G-1	Customer Charge	\$324.07						\$324.07
	Demand Charge	\$6.92						\$6.92
	On Peak kWh	\$0.00437	\$0.00329	\$0.00055	\$0.01724	\$0.00330	\$0.00080	\$0.02955
	Off Peak kWh	\$0.00124	\$0.00329	\$0.00055	\$0.01724	\$0.00330	\$0.00080	\$0.02642
G-2	Customer Charge	\$54.06						\$54.06
	Demand Charge	\$6.97						\$6.97
	All kWh	\$0.00164	\$0.00329	\$0.00055	\$0.02147	\$0.00330	\$0.00081	\$0.03106
G-3	Customer Charge	\$11.72						\$11.72
	All kWh	\$0.03989	\$0.00329	\$0.00055	\$0.02108	\$0.00330	\$0.00080	\$0.06891
M	All kWh	\$0.00047	\$0.00329	\$0.00055	\$0.01517	\$0.00330	\$0.00080	\$0.02358
	<i>see tariff for luminaires & pole charges</i>							
T	Customer Charge	\$11.94						\$11.94
	All kWh	\$0.03552	\$0.00329	\$0.00055	\$0.02525	\$0.00330	\$0.00080	\$0.06871
V	Minimum Charge	\$11.76						\$11.76
	All kWh	\$0.04091	\$0.00329	\$0.00055	\$0.02867	\$0.00330	\$0.00080	\$0.07752

(1) Distribution Energy Charges include a Business Profits Tax Surcharge of \$0.00057 per kWh for usage on and after 8/1/01

(2) Distribution Energy Charges include the following credits per kWh in accordance with page 93 of the tariff for usage on and after 5/1/10

Rate Class	D	D-10	G-3	T	V
Credit per kWh	(\$0.00017)	(\$0.00008)	(\$0.00017)	(\$0.00007)	(\$0.00009)

(3) Distribution Energy Charges include a Reliability Enhancement Program and Vegetation Management Plan Adjustment Factor of (\$0.00010) per kWh for usage on and after 7/1/13

(4) Distribution Energy Charges include a Green Up Service Recovery Adjustment Factor of \$0.00000 per kWh for usage on and after 1/1/14

Storm Recovery Adjustment Factor	various	Effective 11/1/13, usage on and after
Electricity Consumption Tax	\$0.00055	Effective 5/1/01, usage on and after
Transmission Cost Adjustment Factor	various	Effective 1/1/14, usage on and after
System Benefits Charge-Energy Efficiency	\$0.00180	Effective 7/1/11, usage on and after
<u>System Benefits Charge-Statewide Energy Assistance Program</u>	<u>\$0.00150</u>	Effective 7/1/11, usage on and after
Total System Benefits Charge	\$0.00330	
Stranded Cost Adjustment Factor	various	Effective 1/1/14, usage on and after
Default Service Charge		
Residential & Small Commercial (D, D-10, G-3, M, T, V)	\$0.07525	Effective 11/1/13, usage on and after
Medium / Large Commercial & Industrial (G-1, G-2)	\$0.06521	Effective 2/1/14, usage on and after
	\$0.07697	Effective 3/1/14, usage on and after
	\$0.08925	Effective 4/1/14, usage on and after

Granite State Electric Company

Reliability Enhancement Program and Vegetation Management Program

Docket No. DE 13-063

I. REP and VMP Commitment

Beginning April 1, 2014 and until the conclusion of the Company's next distribution rate case, the Company will continue its Reliability Enhancement Program ("REP") and a Vegetation Management Program ("VMP") (collectively, the "Program"), as set forth below.

II. Definitions of REP and VMP Activities

- a. Activities included in the REP are the following:
 - i. Spacer Cable Expansion/Bare Conductor Replacement
 - ii. Single Phase Recloser Replacement/Expansion
 - iii. Trip Saver Applications

- b. **Activities and expenses included in the VMP are set forth below:**
 - i. Spot Tree Trimming;
 - ii. Trouble & Restoration Maintenance;
 - iii. Planned Cycle Trimming;
 - iv. Cycle Trimming Police Details Expenses;
 - v. Hazard Tree Removal;
 - vi. Interim Trimming;
 - vii. Tree Planting;
 - viii. Subtransmission Right of Way Clearing; and
 - ix. Other Police Detail Expenses.

III. REP and VMP for FY 2014 and Thereafter

- a. Beginning with November 15, 2014, the Company will provide its REP and VMP plan (the "Plan") to Staff for the following calendar year for Staff's review. The Company will meet with Staff in technical sessions to discuss the Plan, obtain comments, and answer any questions regarding the plan to be implemented for the subsequent calendar year. After review by Staff, the Company will take all reasonable steps it deems appropriate to carry out and implement the Plan, taking into account the comments of Staff. Review by Staff of the Plan does not relieve the Company of its obligation to operate its business and maintain safe, reliable service through expenditures and other capital investments in the ordinary course of business that are not set forth in the Plan, nor does it bind Staff to a particular position regarding the adequacy and/or effectiveness of the Plan.

- b. The Plan shall provide a description of the activities along with targeted expenditures and investments of the proposed Plan to be implemented during the following calendar year. The Plan will itemize the proposed activities by general category and provide budgets for both operation and maintenance ("O&M") expenses and capital investments expected from implementation of the Plan. The O&M budget will be \$1,360,000 (the "Base Plan O&M") for the calendar year ("Base Plan O&M Budget"). The Company may also provide for consideration an alternative Plan with O&M budgets that exceed the O&M Base Amount for the calendar year. The Company will reconcile actual expenditures and investments with the Base Plan O&M amount of \$1,360,000 and shall be subject to the REP/VMP Adjustment Provision, as set forth in Section IV below. All of the combined expenses will be counted against the Base Plan O&M amount, along with any REP-related O&M that does not relate to a VMP category.

IV. **REP/VMP Adjustment Provision**

- a. During each calendar year, the Company shall track all O&M expenses incurred in implementing the components of the REP and VMP Plan. By March 15 of each year, the Company will make a reconciliation filing with the Commission. To the extent that the Company, in implementing the Plan, incurs expenses in an amount less than the Base Plan O&M amount, the difference between the Base Plan O&M amount and the amount of expenses actually incurred shall be refunded to customers or credited to customers for future REP/VMP program O&M expenditures, as the Commission determines is appropriate, with interest accruing at the customer deposit rate.
- b. To the extent the Plan submitted for review prior to the calendar year includes a budget higher than the Base Plan O&M Budget and the Company incurs expenses over the Base Plan O&M amount (consistent with the alternative budget reviewed by Staff), the incremental expense above the Base Plan O&M amount shall be included in rates, subject to Commission approval, through a uniform adjustment factor on a per kilowatt-hour basis and recovered over a twelve month period, commencing for usage on and after May 1, with interest accruing at the customer deposit rate. Any over or under-recoveries at the end of the twelve month period shall be taken into account in the next REP/VMP Adjustment Provision reconciliation period.

V. **REP Capital Investment Allowance**

The REP capital investment target shall be \$1 million annually. The Company shall track all capital investments made in accordance with the REP for each calendar year. At the same time that the Company makes its reconciliation filing for the REP/VMP Adjustment reconciliation, Granite State shall file a report detailing the actual amount of capital investments made in accordance with implementing the REP during the prior calendar year. The report shall include a calculation of the revenue requirement for adding these additional capital investments into rate

base, using the Company's current Commission approved capital structure and debt and equity. Provided that the investments were made in accordance with the REP, the Company will be allowed, subject to Commission approval, a permanent increase in its base distribution rates to recover the annual revenue requirement for those investments. This permanent REP Capital Investment Allowance will take effect for usage on and after May 1, at the same time as any REP/VMP Adjustments are implemented for the preceding calendar year as discussed in Section IV above.

VI. Procedure for Adjusting Base Distribution Rates for the REP Capital Investment Allowance

Base distribution rates shall be increased by the ratio of: (i) the incremental revenue requirement associated with the REP capital investment; and (ii) forecasted base distribution revenue for the prospective year.

VII. Annual Report, Plan Deviations, and SAIDI/SAIFI Results

- a. At the same time the Company makes its reconciliation and rate adjustment filing (by March 15 of each year), the Company will file an annual report on the prior calendar year's activities. In implementing the Plans, the circumstances encountered during the year may require reasonable deviations from the original Plans reviewed by Staff. In such cases, the Company would include an explanation of any deviations in the report. For cost recovery purposes, the Company has the burden to show that any deviations were due to circumstances out of its reasonable control or, if within its control, were reasonable and prudent. Included in the annual report, the Company will report its SAIDI and SAIFI results for the prior calendar year.
- b. The Company shall also report SAIDI/SAIFI results:
 - i. Inclusive of all events identified in items ii, iv and v below;
 - ii. Using the criteria for major storm exclusions set forth by the Commission and IEEE Standard 1366.
 - iii. On a rolling five-year average for each metric in order to minimize the impact of uncontrollable factors;
 - iv. Excluding the effect on performance by supply assets owned by others given the potential impact of transmission on the Company's reliability performance;
 - v. Excluding planned and notified outages from its calculation of SAIDI and SAIFI, and;
 - vi. Consistent with the Puc 300 rules.
- c. The Commission's definition of a major storm qualifying for exclusion from SAIDI and SAIFI reporting is 30 concurrent troubles and 15% of customers interrupted, or 45 concurrent troubles. (Troubles are defined as interruption events occurring on either primary or secondary lines).