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May 5, 2015

Debra Howland
Executive Director
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301-2429

RE: Docket No. IR 14-190, Investigation into Line Extension Policies
Comments of Eversource Energy on Staff Recommendation

Dear Director Howland:

On July 18, 2014, the Commission issued an order of notice opening the above-captioned docket to investigate the line extension policies of the electric distribution utilities in New Hampshire, including that of Public Service Company of New Hampshire d/b/a Eversource Energy ("Eversource"). The investigation has had a particular emphasis on line extensions for residential customers. On April 2, 2015, the Staff filed a recommendation in the docket describing the differing line extension policies of each utility and making recommendations on how to align them. Eversource herein provides its response to the Staff's recommendations.

Initially, Eversource notes that it understands that any directives from the Commission that may result in amendments to Eversource's existing policy as it has been implemented following Order No. 25,046 (November 20, 2009) would apply only to residential, single-phase extensions occurring along a public way and that are intended to serve a single residence or duplex. Given the often unique needs of and requirements for residential developments, apartment buildings, and commercial customers, as well as those for extensions occurring on private property, Eversource would not apply a generic policy to such extensions. Instead, and consistent with its current practice, Eversource would base the cost analysis for such extensions on the specific attributes of the property and the customer or customers, and would require the entire cost, if the extension will be performed by Eversource, to be paid up front.

Subject to the above clarification, Eversource offers the following in response to the Staff's recommendations. In its first recommendation, Staff proposes that for new line extensions, the utility would "provide one pole and a service drop at no cost to customers (approximately 300 feet)." Staff notes that "For Eversource, this provision will result in the application of the per foot cost to all but the first 300 feet of the extension." This recommendation would apply to both overhead and underground extensions. Eversource does not support this recommendation.

Presently, Eversource provides a service drop of up to 125 feet, for both overhead and underground extensions, at no charge to the customer. The remainder of the extension is then billed at a flat per-foot cost based upon an annually updated calculation of Eversource's actual costs of performing such work. Based upon information relating to line extensions Eversource completed in 2013 and 2014, Eversource estimates that increasing this amount to 300 feet would result in approximately \$800,000 in additional capital expense to the Company annually and would require Eversource to redirect its capital from other reliability and infrastructure improvements to cover the costs of connecting these customers. The additional capital expense borne by Eversource may increase should construction activity within Eversource's service territory increase. Further, under present rates Eversource estimates that it takes approximately 5 years to recover the "no cost" portion of the line extensions. Should the distance be increased, the recovery period would rise to approximately 11 years for underground extensions and nearly 15 years for overhead extensions, and would mean that all customers are subsidizing line extensions for individual customers for many years. Eversource believes that the present 125 feet appropriately shares the costs as between the new customer and the Company and should be retained.

Staff's second recommendation is that for extensions up to \$3000 in cost, the customer would be required to pay the entire amount upfront prior to construction, and that for extensions more than \$3000 the customer would be permitted to spread the cost over a period of up to 5 years during which time the utility may charge interest on the unpaid amount. Eversource is neutral on this recommendation and is open to providing an option for on-bill financing of the extension costs above \$3000 for up to 5 years, if the Commission determines it to be appropriate. For clarity, it is Eversource's preference that for extensions costing more than \$3000 the customer should pay the initial \$3000 upfront, and the remainder of the cost should be financed. Similarly, should this option be implemented, Eversource would request that there be flexibility on the payment requirement for extensions over \$3000 because it may be that a customer is willing and able to pay the entire cost of an extension costing more than \$3000, in which case the customer should not be required to pay the costs over time.

Staff's third recommendation is that Eversource allocate the costs of an extension between the initial customer requiring a line extension and any subsequent customers using that line extension for a five-year period following construction of the extension and that it do so only upon notification from the initial customer that a subsequent customer has used the line. Eversource is open to making such allocations on the residential, single-phase, public-way extensions for the five-year period recommended by Staff. Eversource would only make such allocations based upon the initial customer's notification to Eversource of a subsequent customer's use of the line, and so long as that notification was provided prior to the subsequent customer requesting service.

Staff's final recommendation was specific to the practice and policy of Liberty Utilities. Accordingly, Eversource takes no position on that recommendation.

Eversource believes that there is common ground among the various proposals for administering line extensions in New Hampshire. In implementing such policies, however, there must be a balance between the needs of customers and of the utility so as to avoid placing an

unreasonable burden on either. While Eversource holds the position that its present line extension policy appropriately assigns cost responsibility in a reasonable manner, Eversource is open to implementing some of the amendments proposed in the Staff recommendation.

If you have any questions, please do not hesitate to contact me. Thank you for your assistance with this matter.

Very truly yours,

A handwritten signature in blue ink, appearing to read 'M. Fossum', with a long horizontal line extending to the right.

Matthew J. Fossum
Senior Counsel

Cc: Service List