

STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION

September 3, 2014 - 10:05 a.m.  
Concord, New Hampshire

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RE: IR 14-190  
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE,  
UNITIL ENERGY SYSTEMS, INC., AND LIBERTY  
UTILITIES (GRANITE STATE ELECTRIC) CORP.:  
Investigation into Line Extension Policies.  
(Prehearing conference)

PRESENT: Chairman Amy L. Ignatius, Presiding  
Commissioner Robert R. Scott  
Commissioner Martin P. Honigberg  
  
Sandy Deno, Clerk

APPEARANCES: Reptg. Public Service Co. of New Hampshire:  
Matthew J. Fossum, Esq.

Reptg. Unitil Energy Systems, Inc.:  
Gary Epler, Esq.

Reptg. Liberty Utilities (Granite State  
Electric) Corp.:  
Sarah B. Knowlton, Esq.

Reptg. Residential Ratepayers:  
Susan Chamberlin, Esq., Consumer Advocate  
Jim Brennan  
Office of Consumer Advocate

Reptg. PUC Staff:  
David J. Shulock, Esq.  
Thomas C. Frantz, Director/Electric Division  
David Goyette, Electric Division  
Amanda O. Noonan, Dir./Consumer Affairs Div.

Court Reporter: Steven E. Patnaude, LCR No. 52

ORIGINAL

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**P R O C E E D I N G**

CHAIRMAN IGNATIUS: Welcome. I'd like to open the hearing in Docket IR 14-190. This is an investigation docket into the line extension policies of the electric utilities; Public Service Company of New Hampshire, Unitil Energy Systems, and Liberty Utilities. On March 17th, 2014, the Commission issued an order allowing a new line extension tariff for Public Service, but it stated that the Commission would commence a generic proceeding regarding the extension policies, and that PSNH, Unitil, and liberty would be mandatory parties to the investigation.

By an order of notice dated July 18th, 2014, we scheduled a prehearing conference for this morning, where we are now, ten o'clock. And, we asked that people come -- the three utilities come prepared to describe their preliminary position on the line extension matters, and we set forth the issues that we thought at a minimum would be considered in this investigation. What administrative costs are associated with keeping records and payment information when you have to allocate those costs among any new customers; how those costs should be recovered; whether there should be a different methodology for assessing those line extension charges; whether the

1 charge along a public way should be the same as charges  
2 along a private -- along private property; and any other  
3 issues that intervenors might bring.

4 We also called for intervention requests  
5 to be filed by September 1st, and any objections by today.  
6 We haven't seen any requests for intervention. The Office  
7 of Consumer Advocate filed a notice that it intended to  
8 participate. But we don't see anything else in the file  
9 of anyone seeking to participate.

10 So, what I'd like to do is first ask for  
11 appearances from the three parties -- three utilities,  
12 excuse me, and other parties, anyone who is seeking  
13 intervention identify yourselves, and then we'll take up  
14 the issues of preliminary positions, kind of going around  
15 the room.

16 So, let's begin first with appearances.  
17 Mr. Epler, do you want to begin?

18 MR. EPLER: Oh, certainly. Gary Epler,  
19 appearing on behalf of Unitil Energy Systems. And, with  
20 me is Mr. Scott Wade. He's the Manager for Electric  
21 Operations for Unitil's Seacoast Region. Thank you. Good  
22 morning.

23 CHAIRMAN IGNATIUS: Good morning.

24 MS. KNOWLTON: Good morning,

1 Commissioners. Sarah Knowlton. I'm here today for  
2 Liberty Utilities (Granite State Electric) Corp. And,  
3 with today from the Company is Steve Mullen, from our  
4 Rates and Regulatory Group.

5 CHAIRMAN IGNATIUS: Good morning.

6 MR. FOSSUM: And, good morning,  
7 Commissioners. Matthew Fossum, for Public Service Company  
8 of New Hampshire.

9 CHAIRMAN IGNATIUS: Welcome.

10 MS. CHAMBERLIN: Good morning. Susan  
11 Chamberlin, Office of the Consumer Advocate, and with me  
12 today is Jim Brennan.

13 CHAIRMAN IGNATIUS: Good morning.

14 MR. SHULOCK: Good morning. David  
15 Shulock, Director of the Legal Division, here for Suzanne  
16 Amidon, who couldn't be here today. And, with me at the  
17 table is Tom Frantz, Director of the Electric Division;  
18 David Goyette, Utility Analyst in the Electric Division;  
19 and Amanda Noonan, Director of the Consumer Affairs  
20 Division.

21 CHAIRMAN IGNATIUS: Welcome, everyone.  
22 Now, do we also have some other people who -- I don't know  
23 if you're here wanting to speak or participate as  
24 intervenors? Can you identify yourselves? Or,

1 Mr. Fossum, can you --

2 MR. FOSSUM: Commissioners, the  
3 remaining people, I didn't introduce around, they all  
4 are -- they're here on behalf of PSNH as well.

5 CHAIRMAN IGNATIUS: Oh, okay.

6 MR. FOSSUM: From Rates and Operations  
7 sides of the business.

8 CHAIRMAN IGNATIUS: Well, good. Well,  
9 welcome, everybody. I'm sorry I didn't recognize you.  
10 Then, it looks like we do not have anyone who's seeking to  
11 intervene.

12 We will then move to comments that you  
13 have on the investigation itself. And, can we begin again  
14 with Mr. Epler?

15 MR. EPLER: Certainly. For Unutil, the  
16 procedure is as described in the order of notice. Where,  
17 if a contribution is required for a line extension from a  
18 customer, and then there are subsequent customers along  
19 that line, then there is a refund within the first  
20 five-year period. And, that's set forth in the Company's  
21 tariff. And, at this time, it has not been an  
22 administrative burden for the Company. And, this  
23 procedure has been in place for quite some time.

24 And, if there is a private development,

1       such as a subdivision, the procedure is that the --  
2       usually, those are, if they're new subdivisions, usually  
3       those are underground. The Company would request the  
4       payment -- we'll do an estimate for under-grounding the  
5       facilities on the private development. We'll request  
6       payment of that up front. The Company will also then do  
7       an estimate of providing the service for that development  
8       as though it was overhead. And, then, as houses are built  
9       and meters are set, we'll refund a portion back to the  
10      developer on a kind of per house basis or per meter basis.  
11      Along public ways, customers basically get the first  
12      300 feet of line extension for free.

13                   And, if you have more detailed  
14      questions, Mr. Wade is available to assist. But that's  
15      our general approach to this matter.

16                   CHAIRMAN IGNATIUS: Thank you.  
17      Commissioner Scott.

18                   CMSR. SCOTT: Thank you. A quick  
19      question. Do you have a rough estimate of the number  
20      of -- I'm curious how many transactions there are  
21      regarding, you know, within the next five years, other  
22      people come in and you do the refund, can you give us an  
23      order of magnitude, how many we may be thinking?

24                   MR. WADE: Well, first off, for Unitil,

1 we probably do, for the "public way" scenario, we only do  
2 probably one every other year. So, it's very rare for us  
3 to do public way line extensions. It's just a matter of  
4 fact. You know, the vast majority of our line extensions  
5 are for new developments, private property.

6 I did look back, going back around 20  
7 years of the public way line extensions. And, I only  
8 found one that we had a customer come in midstream, if you  
9 will, and we had to do a reallocation of the costs. So,  
10 this is very rare occasions for us that we're applying  
11 this public way line extension policy.

12 CHAIRMAN IGNATIUS: Thank you. Then,  
13 Ms. Knowlton.

14 MS. KNOWLTON: Thank you. As the  
15 Commission may recall, the Company, in its most recent  
16 rate case, which culminated in a settlement agreement that  
17 was approved by the Commission in March of this year,  
18 included a provision changing the Company's line extension  
19 policies. So, we have recently enacted policies. One of  
20 which -- there's four policies. The policies, they're  
21 individual policies; one for residential customers,  
22 residential developments, and the other is for commercial  
23 and industrial customers. And, only the residential  
24 policy requires this five-year look-back provision. Since



1 the adoption of that policy this spring, we have not had  
2 any customers that have requested any recalculation. So,  
3 we don't have any data yet.

4 The Settlement Agreement also provides  
5 that, in the Company's next distribution rate case, which  
6 it will be based on a 2015 test year, that we'll provide  
7 the Staff and the Commission and any parties with a look  
8 at what our costs have been to follow this new policy.  
9 So, there will be more information to come in the future.  
10 But, to date, we haven't had any issues. We haven't had  
11 to effectively really implement this new policy as of yet  
12 based on any customer request.

13 CHAIRMAN IGNATIUS: Thank you.

14 Mr. Fossum.

15 MR. FOSSUM: Thank you. PSNH's current  
16 policy came about back a number of years ago, beginning in  
17 Docket 08-135. PSNH had noted that at the time we had the  
18 five-year look-back and reallocation, and some other  
19 things, and that had created some administrative burdens  
20 for the Company. And, so, we proposed at that time a new  
21 policy. The end result of that docket was a settlement  
22 agreement between the Company, the Staff, and the OCA, and  
23 the Home Builders & Remodelers Association, which I  
24 believe was the only intervenor in the docket, that gave

1 us the current policy that we have now. Where the line  
2 extensions are based on a cost per foot, and there's no  
3 longer a five-year look-back provision. The costs are to  
4 be paid up front by the customer requiring the extension.

5 I will note that, when that policy  
6 became effective in 2010, there were approximately 500  
7 active line extensions. Those that -- with the look-back  
8 provision in the them. Those extensions and the look-back  
9 in them was to remain for the remainder of their five-year  
10 term. I understand there's approximately 20 of those left  
11 open today.

12 The Commission also, as noted at the  
13 outset of this proceeding, opened an investigation, in  
14 docket 13-336, to gather information about PSNH's policy  
15 as now implemented, because the costs for it, as I  
16 understand, had appeared to have gone up rather  
17 significantly, and there was some question about why that  
18 was so. And, that led to the ultimate decision of the  
19 Commission to look at, I understand, in this more generic  
20 proceeding.

21 So, -- Oh. And, also, relative to the  
22 way the policy is administered today, is the cost per foot  
23 is based upon a review of PSNH's actual costs over the  
24 prior year performing a line extension, and the per foot

1 cost is adjusted annually to account for that. So, that  
2 filing I believe is in April of every year, indicating  
3 what the costs were over the prior year and what the line  
4 extension costs will be for the coming year. So, that's  
5 our current policy, and that's sort of how we got to where  
6 we are today.

7 And, I guess, in short, you know, it was  
8 reached in a settlement approved by the Commission. So,  
9 to that extent, we would still support continuing the  
10 policy. But, to the extent that the Commission wishes to  
11 review it, we're open to discussing revisions to our  
12 policy or more generally on line extensions in the state.  
13 And, we're happy to work with the Staff and others and the  
14 OCA, certainly, to review these issues.

15 CHAIRMAN IGNATIUS: Thank you.  
16 Commissioner Scott.

17 CMSR. SCOTT: Thank you. And, thanks  
18 for that information. Of the 500 that were -- you implied  
19 there were about 500 customers that were grandfathered  
20 prior to the Settlement Agreement?

21 MR. FOSSUM: At the outset of Docket  
22 08-135, the docket where PSNH sought to change its line  
23 extension policy, I believe the testimony was that there  
24 were 524 active line extensions at that time.

1 CMSR. SCOTT: So, of that, do you have  
2 any data, did any of those require this reallocation of  
3 costs with the five-year look-back?

4 MR. FOSSUM: I know that some did, but I  
5 don't know how many.

6 CMSR. SCOTT: Okay. Fair enough. Thank  
7 you.

8 CHAIRMAN IGNATIUS: And, Mr. Fossum,  
9 since the changed policy went into effect, do you know how  
10 many requests you've had for line extensions?

11 MR. FOSSUM: So, since 2010, when the  
12 Settlement Agreement went into effect? I don't know. I  
13 don't know if anybody else here would know?

14 (Short pause.)

15 MR. FOSSUM: So, after conferring with  
16 others from the Company, it sounds like it's approximately  
17 four to 500 over the last three years or so.

18 CHAIRMAN IGNATIUS: Thank you. And, the  
19 Company's current policy, I don't recall, is there a  
20 different charge between public way extensions and private  
21 property extensions?

22 MR. FOSSUM: No, there is not. The cost  
23 per foot is the same, regardless of whether it's private  
24 or public.

1 CHAIRMAN IGNATIUS: Thank you.

2 Ms. Chamberlin.

3 MS. CHAMBERLIN: Thank you. From the  
4 residential consumers' perspective, we're looking to get  
5 the balance between high cost for an individual consumer,  
6 balancing that out with having any incremental cost to the  
7 rest of the consumers for no change to their service. So,  
8 what we're looking at, is this a burden that can be  
9 reasonably shared, because the incremental increase would  
10 be so small? Or, is it more appropriate for an individual  
11 to bear the entire burden? And, that's the balance we're  
12 seeking to strike here.

13 CHAIRMAN IGNATIUS: Thank you.

14 Mr. Shulock.

15 MR. SHULOCK: Staff takes no position at  
16 this time during the investigative phase of this  
17 proceeding. Staff intends to pursue inquiries into the  
18 matters raised in the order of notice, and other issues  
19 that may arise. And, hopes to provide the Commission with  
20 a recommendation in the near future, and hopefully a joint  
21 recommendation on a uniform policy.

22 CHAIRMAN IGNATIUS: All right. I  
23 understand there's a technical session scheduled to begin  
24 after the close of the Commissioners' portion of this

1 hearing this morning, correct?

2 MR. SHULOCK: That's correct.

3 CHAIRMAN IGNATIUS: And, will you be  
4 developing a proposed procedural schedule to get to the  
5 end of the investigation?

6 MR. SHULOCK: We will. We'll develop --  
7 our intention is to develop a procedural schedule that  
8 will get us through the filing of our recommendation.

9 CHAIRMAN IGNATIUS: All right. Then,  
10 that resolves the questions we have. We appreciate  
11 everyone doing what you can to talk it through this  
12 morning and see if there is a pathway to a sound proposal  
13 that makes sense for everyone. And, as Ms. Chamberlin  
14 says, striking that appropriate balance, which is  
15 something we struggled with as well.

16 So, unless there's anything further,  
17 we'll close this portion of the hearing, leave you to your  
18 technical session, and await any further follow-up  
19 recommendations or scheduling notices from the Staff.  
20 Thank you. We're adjourned.

21 **(Whereupon the prehearing conference was**  
22 **adjourned at 10:23 a.m., and thereafter**  
23 **a technical session was held.)**

24