

**STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION**

Time Warner Entertainment Company L.P.
d/b/a Time Warner Cable

Petition for Resolution of Dispute with
Public Service Company of New Hampshire

DT 12-084

**PREFILED DIRECT TESTIMONY OF
EDWARD A. DAVIS**

ON BEHALF OF

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

SEPTEMBER 14, 2012

TESTIMONY OF EDWARD A. DAVIS

1 **I. INTRODUCTION**

2

3 **Q. Please state your name, position and business address.**

4

5 A. My name is Edward A. Davis. My business address is 107 Selden Street, Berlin, CT
6 06037. I am the Manager of Pricing Strategy and Administration for Northeast Utilities
7 Service Company, which provides centralized administrative services to Northeast Utilities'
8 affiliates, including Public Service Company of New Hampshire ("PSNH" or the
9 "Company").

10

11 **Q. Please describe your current responsibilities in this position.**

12

13 A. In my present position I am responsible for activities related to rate design, cost of service
14 and rates administration for the NU operating companies, including PSNH.

15

16 **Q. Please summarize your education and professional experience.**

17

18 A. My employment with Northeast Utilities began in 1979, and since then I have held a
19 number of staff and field positions with responsibilities in the areas of consumer
20 economics, engineering and operations, customer service, wholesale and retail marketing,
21 and state and federal rate design, regulation and administration. I graduated from the
22 University of Hartford with a Bachelor of Science degree in Electrical Engineering in 1988
23 and from the University of Connecticut with a Master of Business Administration degree in
24 1997. Throughout my tenure with Northeast Utilities I have attended numerous electric
25 industry and professional education programs, and have been an active participant in
26 electric industry organizations on rates and regulatory matters.

27

1 **Q. Have you previously testified before the New Hampshire Public Utilities Commission**
2 **(“Commission”)?**

3
4 A. While I have not testified before the Commission, I have provided direct support to the
5 Company in a number of rate proceedings conducted by the Commission. I have submitted
6 testimony and appeared before the Connecticut Public Utilities Regulatory Authority (and
7 its predecessor, the Department of Public Utility Control) on behalf of the Company’s
8 affiliate, The Connecticut Light and Power Company, on numerous occasions, and before
9 the Massachusetts Department of Public Utilities on behalf of the Company’s affiliate,
10 Western Massachusetts Electric Company, in numerous rate and tariff-related matters. I
11 have also provided direct support, prepared filings and represented the Company and its
12 affiliates in a number of rate-related proceedings, and tariff and contract matters before the
13 Federal Energy Regulatory Commission.

14
15 **Q. What is the purpose of your testimony?**

16 A. The purpose of my testimony is to describe the basis upon which the Company’s pole
17 attachment rental rates are currently determined, and the rationale for retaining the
18 methodology used in calculating those rates. I also discuss the cost of service associated
19 with the Company’s pole plant utilized to carry the equipment of third parties, such as
20 cable television (“cable”) and telecommunications (“telecom”) service providers, and
21 others (collectively referred to as “attaching entities”), and the subsidization by PSNH’s
22 electric service customers that is already embedded within the cable and telecom pole
23 attachment rate methodologies currently being applied by the Company. In addition, I
24 identify the impacts to the Company and additional subsidization by electric customers that
25 would occur as a result of reducing the telecom rate. Finally, I discuss the appropriate
26 timing for any changes to pole attachment fees, identify corrections to the rate

1 methodologies currently applied that better align these fees with the Company's costs, and
2 present a proposed uniform pole attachment rate methodology for consideration by the
3 Commission in determining appropriate future pole attachment fees for attaching entities.

4
5 **Q. Please describe your experience with pole attachment rates and charges.**

6 A. I have been responsible for determining annual pole attachment rates ("PA rates") for both
7 PSNH and its affiliates since 1999. During that time I have drawn on my understanding
8 and knowledge of distribution system engineering, cost-of-service analysis, and cost
9 allocation and rate design to interpret and apply pole attachment rate methodologies for a
10 variety of applications. While developing PA rates I have reviewed and evaluated
11 Company data in conjunction with pole attachment rate methodologies to assure PA rates
12 were developed in accordance with applicable state and federal regulatory requirements.

13
14 **Q. Please discuss the current issues associated with pole attachment rates that the**
15 **Company believes need to be addressed in this proceeding.**

16 A. The primary purpose of this proceeding is to determine the appropriate just and reasonable
17 rates and charges for pole attachments on a going forward basis. My testimony specifically
18 addresses the appropriate PA rates for attachments on PSNH's poles and whether the
19 PSNH's current PA rates fully recover its costs of renting pole space from attaching
20 entities. PA rates should be evaluated within the context of regulation by the Commission
21 of the Company's electric rates, and the allocation of cost responsibility associated with the
22 Company's authorized revenue requirement reflected in those rates. As I discuss below,
23 the Company's current PA rates do not recover the full cost of providing rental space on its
24 poles. Additionally, any changes to PA rates will result in commensurate changes to

1 PSNH's delivery rates. If PA rates are decreased from currently effective levels,
2 distribution rates will be increased, and vice versa. Such increase or decrease would occur
3 following implementation of rates in the next distribution rate case, or could occur sooner
4 under PSNH's distribution rate case settlement ("Rate Settlement"), to the extent this
5 would be an exogenous event under that settlement.¹

6 In addressing these issues it is also important to identify what changes should be made to
7 the methodologies currently being applied to bring fees into alignment with cost
8 responsibility (and to incorporate any public policy or other considerations deemed by
9 appropriate by the Commission), and when such a change should be made.

10
11 **Q. What concerns do you have about making any changes to PA rates at this time?**

12 A. Currently the Company's electric distribution service rates have been set in accordance
13 with the Rate Settlement. These rates are predicated on revenues that recover costs from
14 PA rates determined using methodologies in place at the time electric rates were set, and
15 that are currently being applied by the Company. If there were to be a reduction to PA
16 rates due to a change in methodology during the 5-year Rate Settlement period, the
17 Company would have a revenue shortfall unless the Commission provided an opportunity
18 to make an equal reconciling change to the Company's distribution service rates. The
19 Company has a right to recover its costs, and the revenues from PA rates were included as
20 part of an overall ratemaking process to establish the Company's overall revenue
21 requirement. The Commission cannot now eliminate a part of those revenues in isolation
22 without upsetting the overall revenue requirement calculus. Doing so would essentially

¹ See Settlement Agreement on Permanent Distribution Service Rates, § 12, filed April 30, 2012 in Docket No. DE 09-035.

1 constitute single-issue ratemaking, a practice the Commission has traditionally avoided.

2 *See In Re Connecticut Valley Elec. Company*, 86 NHPUC 947 (2001).

3

4 **Q. When would be the appropriate time to make a change?**

5 A. Whether the impact would result in an increase or decrease to PA rates, changes to the
6 methodologies used to set PA rates should ideally occur in conjunction with, and should
7 only be reflected in an authorized change to, electric distribution rates. This would allow
8 shifts in cost responsibility of the Company's electric service customers caused by a change
9 in pole attachment rates to be simultaneously reflected in a change to electric distribution
10 service rates. As discussed above, a change in the pole attachment rate methodology
11 should not occur until at least the end of the Rate Settlement period, June 30, 2015.

12 **Q. Please discuss the transfer of jurisdiction and regulatory authority from the Federal**
13 **Communications Commission ("FCC") to the Commission and the appropriateness of**
14 **applying the current methodologies for calculating PA rates relative to current**
15 **electric distribution rates.**

16 A. Prior to 2008, PSNH's PA rates for cable and telecom service providers were determined
17 by the Company using the prevailing FCC formula methodologies. Because PSNH was
18 subject to FCC jurisdiction with respect to the PA rate methodologies to be used during that
19 time, PSNH was constrained from making structural changes, and was required to
20 implement the methodologies determined by FCC order. For reference later in this
21 testimony it is important to note that these methodologies are formula based rates that
22 contain "rebuttable presumptions" that may be changed when actual company specific
23 information is available.

1 In 2008 the State of New Hampshire “opted out” of FCC jurisdiction² and established state
2 regulatory authority over PA rates. This means that the FCC does not have jurisdiction
3 over the Company’s PA rates. The Company continued to apply the pole attachment rate
4 methodologies that were in place at the time that the State of New Hampshire took
5 jurisdiction over such rates, and subsequently submitted a rate case and ultimately received
6 approval of its electric distribution rates predicated on revenues from such methodologies.
7 To maintain consistency with the Rate Settlement and to ensure rate continuity and stability
8 it is appropriate to continue to apply the same pole attachment rate methodologies that the
9 Company currently applies.

10
11 **Q. Do PSNH’s current PA rates recover the full cost of service associated with pole rent**
12 **for the attachments of attaching entities?**

13 A. No. Both the cable and the telecom pole attachment rate methodologies recover less than
14 the full costs attributable to not only the dedicated space on the poles within which their
15 facilities are placed, but also to the shared utilization of so-called unusable space on such
16 poles to support those facilities. Accordingly, there are inherent subsidies by electric
17 customers resulting from the use of these methodologies to calculate PA rates.

18
19 **Q. Please discuss the subsidies inherent in the FCC’s pole attachment rate**
20 **methodologies.**

21 A. Given that the Commission has opened this investigation into pole attachment rates and,
22 accordingly, the corresponding methodologies are subject to review and potential change, it
23 is important to highlight the cost responsibility of attaching entities who utilize the

² *New Hampshire Joins States That Have Certified That They Regulate Pole Attachments*, Public Notice, WC Docket No. 07-245, DA 08-450 (rel. Feb 22, 2008).

1 Company's poles, and to identify the costs that are shifted to electric service customers
2 under FCC formula rates. Recognition of electric customer subsidies and assurance of a
3 fair allocation and equitable recovery of costs should be integral to a decision by the
4 Commission regarding the appropriate PA rate to be charged to attaching entities for use of
5 the Company's distribution poles.

6 From my review of the cost of service associated with PSNH's pole plant utilized by
7 attaching entities and the corresponding cable and telecom PA rate methodologies applied
8 by the Company, I have identified a number of factors contained within those
9 methodologies that result in subsidies by PSNH's electric service customers. In the cable
10 methodology, both the absence of allocation of pole costs attributable to the unusable space
11 of a pole, and the calculation of a space factor based on the presumptive usable space result
12 in subsidies to attaching entities. In the telecom methodology, subsidies are included by
13 using rebuttable presumptions instead of actual data. This is the case with respect to the
14 actual average number of attachments. In addition, the assignment of one third of unusable
15 pole space to the Company, while a longstanding component of the telecom formula which
16 the Company was previously subject to, results in a subsidy to attaching entities. Because
17 the Company is included in the average number of attaching entities it is allocated pole cost
18 responsibility for 1/3 plus a share of the 2/3 allocation of unusable space.

19 Cable Rate Subsidies: The calculation of PA rates currently charged by the Company for
20 cable providers is provided in Table 1.

TABLE 1 - Cable Formula

$$\text{Space Factor} = \frac{\text{Space Used}}{\text{Usable Space}}$$

$$\text{Space Factor} = \frac{1}{13.5} = 7.407\%$$

Space Factor	x	Net Cost of a Bare Pole	x	Carrying Charge Rate	=	Solely Owned Rate
7.407%	x	\$387.02	x	35.12%	=	\$10.07

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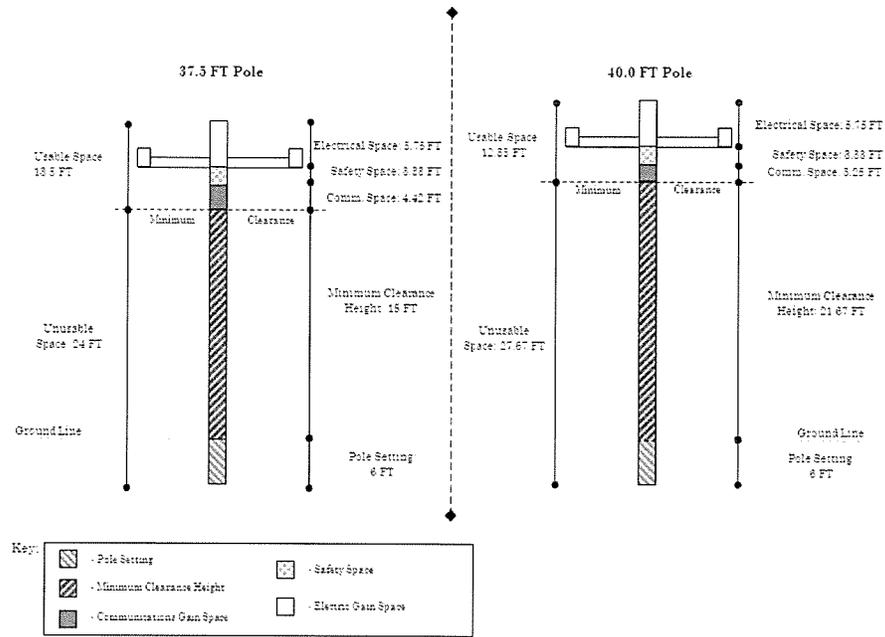
The primary subsidy at issue with the FCC cable rate methodology is the allocation of only “usable space”, which excludes and assigns to PSNH and its electric customers a portion of space dedicated to users of the communications space. This dedicated space includes the safety space, along with the communications gain, which would not be needed, and therefore would not require PSNH to invest in a taller pole³ but for the accommodation of pole attachments.

The allocation of only usable space in the cable formula results in an additional subsidy caused by excluding the allocation of the portion of unusable space attributable to the use of the Company’s poles by attaching entities. Unusable space jointly benefits all users of the pole by supporting their facilities. For attaching entities, unusable space includes the portion of the Company’s poles from beneath the ground up to the lowest place on those poles at which communications equipment may be attached. See Figure 1.

³ This space is recognized and included in Company’s pole standards; the costs of this portion of the pole is included in the Company’s embedded capital-related cost of poles (i.e., pole plant account 364), and does not include make-ready costs.

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Figure 1 – Pole Space Factor Components



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It is important to include an allocation of this space to attaching entities to properly assign their share of the carrying cost of poles to them. Attaching entities who qualify for the cable rate enjoy the benefit of a subsidy by not being allocated a sufficient portion of the costs attributable to rental of pole space.

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Telecom Rate Subsidies: The calculation of the PA fee currently charged by the Company to telecom service providers is provided in Table 2. While this calculation includes a number of subsidies, the methodology provides at least some allocation of unusable space that the cable rate does not.

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TABLE 2 - Telecom Formula

$$\text{Space Factor} = \frac{\text{Space Used} + \left[\frac{2}{3} \times \frac{\text{Unusable Space}}{\text{Avg. \# of Attachers}} \right]}{\text{Avg. Pole Height}}$$

$$\text{Non Urban Space Factor} = \frac{1 + \left[\frac{2}{3} \times \frac{24}{3} \right]}{37.5} = 16.889\%$$

$$\text{Urban Space Factor} = \frac{1 + \left[\frac{2}{3} \times \frac{24}{5} \right]}{37.5} = 11.200\%$$

Space Factor x	Net Cost of a Bare Pole	x	Carrying Charge Rate	=	Solely Owned Non Urban Rate
16.889%	x \$387.02	x	35.12%	=	\$22.96

Space Factor x	Net Cost of a Bare Pole	x	Carrying Charge Rate	=	Solely Owned Urban Rate
11.200%	x \$387.02	x	35.12%	=	\$15.22

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2 As with the cable rate, safety space is not included in the telecom rate formula. While
3 safety space is necessary and part of the cost of a pole reserved specifically for attaching
4 entities, its cost becomes the responsibility of, and is subsidized by, the Company's electric
5 customers.

6 Furthermore, the underlying telecom formula automatically assigns one third of the costs
7 attributable to unusable space to the Company and allocates a share of the remaining two
8 thirds to the Company. The application of the factor of 2/3 is unsubstantiated. Eliminating
9 this factor from the methodology reveals more of the subsidy afforded to attaching entities.

10 The use of actual data instead of the rebuttable presumptions applied in the rate
11 methodology shown in Table 2 would reveal additional subsidization (e.g., as would be the
12 case for any of the elements listed in the formula shown in Table 2, such as average pole
13 height, average number of attaching entities or unusable space).

14 Comparison of Subsidies and Future Rates: The telecom rate utilized by the Company
15 provides a more equitable allocation of cost responsibility (i.e., less shifting of cost

1 responsibility to electric service customers) than does the cable rate because the formula
2 specifically recognizes and includes unusable space as part of the overall allocation of pole
3 cost responsibility. These facts are important to recognize when analyzing whether a single
4 uniform telecom rate should be applied in lieu of the current cable and telecom rates. As
5 the services provided by cable and telecom providers converge, more attention has been put
6 on moving to a unified (i.e., “uniform”) rate methodology. Generally, such a methodology
7 is intended to reflect treatment of attachments in an equivalent manner for purposes of (a)
8 renting pole space regardless of type of facility, or (b) levelizing PA rates for cable and
9 telecom service providers who directly compete, and who seek to expand the deployment
10 of broadband or other service. If there is a need to develop a uniform pole attachment rate
11 that does not distinguish between the two types of providers, then, as discussed below, the
12 underlying telecom formula (i.e., that currently applied by the Company, modified to
13 reduce subsidies by its electric customers) should be considered as the basis for such a rate.
14 Furthermore, the Company has total actual numbers of attachments that could be used to
15 introduce a uniform rate based upon the telecom methodology shown in Table 2, above.

16
17 **Q. Please discuss the additional subsidies and issues associated with the reduction to pole**
18 **attachment rates sought by communication service providers.**

19 A. While the telecom rate charged by the Company represents an improvement in terms of
20 less of a subsidy than that of the cable rate, the cost factor and carrying charge adjustments
21 of the FCC’s April 7, 2011 Report and Order and Order on Reconsideration⁴ (“FCC
22 Order”) negates this effect. The cost factors, in particular are nothing more than the result
23 of mathematical manipulations intentionally designed to reduce the rate charged to telecom

⁴ Rates from the *Report and Order and Order On Reconsideration*, FCC 11-50, dated April 7, 2011, codified in §1.1409, 47 CFR Ch. I (10-1-11 Edition)

1 providers to a level near that of the cable rate, which avoids responsibility for pole costs
2 associated with the unusable space (which represents the portions of a pole that holds
3 facilities at a safe distance above the ground) and the safety space (which maintain a safe
4 working distance between electrical and attaching entity facilities).

5 The Company also takes exception with the inclusion of only the administrative and
6 maintenance elements within the “lower bound” comparison rate for telecom service
7 providers in the FCC Order. Recognition of administrative, maintenance and make-ready
8 costs as the only incremental costs associated with pole rentals ignores all of the capital
9 costs of the poles utilized by attaching entities.

10 Given that the cost to the Company for pole rentals is not fully recovered under the PA
11 rates it currently charges, the effect of applying additional adjustments to pole attachment
12 rate methodologies from the FCC Order further increases the subsidies born by electric
13 customers. The incremental costs of pole plant dedicated to pole attachments, and the
14 portion of the remaining pole plant attributable to the support of attaching entities’ facilities
15 are embedded as part of the Company’s pole infrastructure costs. These are long term
16 investments that have ongoing carrying costs, both financial and operational. Any rental
17 fee should recover these costs. Given that the regulation of PSNH’s PA rates is under the
18 jurisdiction of this Commission and not the FCC, it is important that the Commission
19 weigh the issues associated with subsidies under the rates currently charged by PSNH, and
20 the increase in subsidies by electric service customers that would occur by implementing
21 the rate methodologies pursuant to the FCC Order. Consideration of both the extent and
22 reason for the change, and the impact on electric service customers and timing of any such
23 changes should be paramount.

1 **Q. Can you provide an example to illustrate how the exclusion of cost responsibility**
2 **impacts PSNH's customers?**

3 A. Yes. Consider that if the Company were to install poles only to support its electric
4 equipment, a new pole attachment would require a taller pole to be installed, prompting a
5 need to replace that pole. The Company, however, has established pole standards that
6 include communication and safety space. When a pole that includes this space is installed
7 (the cost of which is embedded in pole plant), the incremental cost of communication and
8 safety space is included in its pole plant costs (make ready costs are not included in these
9 costs). PSNH could, for example, install a 35 foot pole costing \$1,000 to support electric
10 equipment, but, in order to include communications and safety space, installed a 40 foot
11 pole costing \$1,200, PSNH's cost of pole plant would have increased by \$200, and the
12 incremental carrying charge would be \$70 per year. If an attaching entity pays an
13 attachment fee of \$10 per year, PSNH's customers would bear the cost of the additional
14 \$60 per year (\$70 incremental cost less \$10 charged to the attaching entity) through higher
15 distribution rates. See Table 3.

Table 3 - Pole Attachment Rate Subsidy Illustration

A. 35 foot pole cost	\$1,000
B. 40 foot pole cost	\$1,200
C. Incremental cost (B - A)	\$200
D. Carrying charge rate	0.3512
E. Annual incremental carrying cost (C x D)	\$ 70.24
F. PA fee (cable PA fee)	\$ 10.07
G. PSNH customer subsidy (E - F)	\$ 60.17

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17 The above example highlights the subsidy inherent in a single pole placement, and applied
18 over the entirety of PSNH's pole plant, the subsidy provided by PSNH's customers is
19 substantial.

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Q. Please discuss any adjustments to the cable and telecom formulas that would be appropriate.

A. The Company believes that, to the extent the cable and telecom formulas are utilized in the future (post Rate Settlement period), it would be appropriate to make adjustments to both the cable and telecom rate methodologies it currently utilizes.

For the cable rate, the Company recognizes from regulatory decisions in Connecticut hillier terrain, such as that in New Hampshire, requires taller poles to maintain safe clearances between the lower end of the communications space and the ground, and at the same time reduces the communications gain space. This determination, and a method for adjusting the space factor in the cable formula, was established and further approved in two, separate contested pole attachment rate proceedings.⁵ That method, applied to PSNH's cable rate, holds that a 37.5 foot pole is assumed to have an unusable space of 24 feet and usable space of 13.5 feet. A 40 foot pole, however, would be required in Connecticut's hillier terrain, and the corresponding unusable space is 27.67 feet, which results in a usable space of 12.33 feet. Refer to Figure 1. Thus, the space factor in the cable formula of 1/13.5 becomes 1/12.33.

The referenced proceedings also recognized that it was appropriate to include the incremental cost of poles due to the taller pole requirement, and included a weighting of the marginal cost of a taller pole to be factored into the pole cost used in the cable formula. Accordingly, the Company would reflect a 10% weighting of 40 foot poles (embedded into system costs) and a 90% weighting of the average net cost of a bare pole pursuant to the

⁵ Connecticut DPUC Docket No. 92-09-19, Application of the Southern New England Telephone Company to Amend Its Rates and Rate Structure; and DPUC Docket No. 09-12-05, Application of The Connecticut Light and Power Company to Amend Its Rate Schedules.

1 standard cable formula currently used by the Company to derive its pole cost and cable PA
2 fee. These two adjustments are shown in Table 4.

TABLE 4 - Revised Cable Formula

$$\text{Space Factor} = \frac{\text{Space Used}}{\text{Usable Space}}$$

$$\text{Space Factor} = \frac{1}{12.33} = 8.110\%$$

Space Factor	x	Net Cost of a Bare Pole	x	Carrying Charge Rate	=	Solely Owned Rate
8.110%	x	\$405.60	x	35.12%	=	\$11.55

3
4 With regard to the telecom rate, as previously mentioned the 2/3 factor included in the
5 telecom rate formula, and the exclusion of safety space in the calculation of both the cable
6 and telecom formulas result in a shift in allocable cost responsibility of 1/3 of the common
7 space and all of the safety space to electric service customers. Safety space, unusable space
8 and pole height are all integral, rebuttable presumptions which are best addressed in a
9 comprehensive manner. The Company has not established a method upon which to change
10 these elements and at this time would continue to rely on rebuttable presumptions.
11 However, the Company sees no basis upon which to continue application of the 2/3 factor
12 or to apply a different factor, and believes that an appropriate adjustment to reduce
13 subsidies in the telecom rate would be to remove that factor altogether.

14 The Company has not compiled actual numbers of attaching entities on an urbanized and
15 non-urbanized basis, but believes it would be more accurate to do so in order to use actual
16 instead of rebuttable presumptions if separate rates were to be maintained. Use of actual
17 numbers of attaching entities would initially create a change in the rate; subsequent
18 increases in the numbers of attachments (e.g., due to expansion of broadband and/or other
19 services) would lower the rate. Thus, unlike in the cable rate, the use of actual number of
20 attaching entities in the telecom formula rate would provide a more dynamic rate

1 mechanism in support of broadband initiatives. The Company, in fact, has the total actual
2 number of attaching entities, and believes that a uniform rate methodology based on the
3 currently applied telecom rate methodology can be developed and would be an appropriate
4 rate solution for all attaching entities going forward.

5 **Q. What is the Company’s proposal for a uniform rate methodology?**

6 A. The methodology for calculating telecom PA rates currently used by the Company could
7 readily accommodate use of the actual number of attaching entities and could be adjusted
8 as deemed appropriate to reduce the subsidy born by electric service customers. In keeping
9 with the discussion above, the Company proposes that, at the end of the Rate Settlement
10 period, a single uniform rate be applied to all attaching entities. The calculation of this
11 proposed uniform telecom rate would be based on actual numbers of attaching entities and
12 removal of the 2/3 factor, as shown in Table 5.

TABLE 5 - Telecom Formula

$$\text{Space Factor} = \frac{\text{Space Used} + \left[\frac{\text{Unusable Space}}{\text{Actual Avg. \# of Attachers}} \right]}{\text{Avg. Pole Height}}$$

$$\text{Space Factor} = \frac{1 + \left[\frac{24}{2.40} \right]}{37.5} = 29.333\%$$

Space Factor x	Net Cost of a Bare Pole	x	Carrying Charge Rate	=	Solely Owned Unified Rate
29.333%	\$387.02	x	35.12%	=	\$39.87

13
14 While this rate is higher than current levels, it is important to note that an average number
15 of attaching entities equal to 2.4 (based on recent, actual Company data) is used. If it is the
16 expectation that, for example, broadband deployment would result over some period in an
17 average increase of 1 attachment per pole, the average actual number of attaching entities
18 would be 3.4. The impact of this would be a rate reduction of over 26%. A calculation of

1 the proposed uniform rate using an average number of 3.4 attaching entities is provided in
2 Table 6.

TABLE 6 - Telecom Formula

$$\text{Space Factor} = \frac{\text{Space Used} + \left[\frac{\text{Unusable Space}}{\text{Actual Avg. \# of Attachers}} \right]}{\text{Avg. Pole Height}}$$

$$\text{Space Factor} = \frac{1 + \left[\frac{24}{3.40} \right]}{37.5} = 21.490\%$$

Space Factor	x	Net Cost of a Bare Pole	x	Carrying Charge Rate	=	Solely Owned Unified Rate
21.490%	x	\$387.02	x	35.12%	=	\$29.21

3

4 **Q. What alternatives could be considered relative to the Company’s proposal?**

5 A. Given that the telecom rate methodology reduces the subsidy of attaching entities by
6 allocating a portion of unusable space attributable to pole rental, and there appears to be
7 preference to place the cable providers within the realm of telecom providers seeking to
8 increase deployment of broadband service, the telecom rate appears to be the most
9 appropriate basis for calculating a uniform PA rate for all attaching entities. The Company
10 believes, as a minimum, the use of actual numbers of attaching entities in the telecom
11 formula it currently applies is an appropriate basis for calculating PA rates in the future
12 (i.e., after the Settlement Rate period). This rate, in which the 2/3 factor has been included,
13 is shown in Table 7. While this rate does not remove as much of the subsidy as that in the
14 Company’s primary proposal, use of the methodology shown in Table 7 more appropriately
15 assigns cost responsibility by keeping an element of unusable space within the formula and
16 setting the rate on the basis of actual attachments using communications space. Moreover,
17 this methodology further maintains the dynamic nature of the design by which greater
18 deployments of broadband and other services via increased numbers of attachments would
19 lower the rate.

TABLE 7 - Telecom Formula

$$\text{Space Factor} = \frac{\text{Space Used} + \left[\frac{2}{3} \times \frac{\text{Unusable Space}}{\text{Actual Avg. Attachers}} \right]}{\text{Avg. Pole Height}}$$

$$\text{Space Factor} = \frac{1 + \left[\frac{2}{3} \times \frac{24}{3.40} \right]}{37.5} = 15.216\%$$

Space Factor	x	Net Cost of a Bare Pole	x	Carrying Charge Rate	=	Solely Owned Unified Rate
15.216%	x	\$387.02	x	35.12%	=	\$20.68

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3 **Q. Please address the rate review standards that you understand the Commission must**
4 **consider in determining just and reasonable rates in this proceeding.**

5 A. The provisions of N.H. Admin. Rule, Puc 1304.06 (a), state that the Commission shall
6 consider the following⁶:

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- 1) Relevant federal, state or local laws, rules and decisions;
- 2) The impact on competitive alternatives;
- 3) The potential impact on the pole owner and its customers;
- 4) The potential impact on the deployment of broadband services;
- 5) The formulae adopted by the FCC in 47 CFR § 1.1409 (c) through (f) in effect on July 16, 2007; and
- 6) Any other interests of the subscribers and users of the services offered via such attachments or consumers of any pole owner providing such attachments, as may be raised.

The Rate Settlement referred to within this testimony is especially important in the near term (until the next time distribution rates can be revised), as distribution rates which have been set by the Commission are integrated with, and directly affected by pole attachment rates. Since the beginning of the Rate Settlement period, the Company has maintained the methodologies for calculating PA rates that were applied in setting current distribution

⁶ Statutory Authority: N.H. RSA 374:34-a.

1 rates. Recognizing the Commission's authority over distribution and pole attachment rates,
2 no change in methodology for calculation of PA rates for either cable or telecom service
3 providers should occur or be required until such time as a corresponding change to
4 distribution rates can be effected. While consideration of the provisions of Puc 1304.06 (a)
5 may be given at this time, impacts to electric distribution customers of a new pole
6 attachment rate methodology need to be assessed within the context of a contested
7 distribution rate proceeding.

8 While pole attachment rate decisions and orders from other jurisdictions may factor into the
9 setting of the consideration of PSNH's pole attachment rates, the Commission is not bound
10 by FCC regulation nor is it constrained from considering the rate proposals presented by
11 the Company and others within this docket. The Company believes that the subsidies born
12 by electric service customers should be reduced from current levels, and that a goal of
13 future pole attachment rates should be to minimize pole attachment rate subsidies born by
14 PSNH's electric distribution customers while ensuring to the extent practicable that any
15 such subsidies align directly with savings realized in turn by those same customers through
16 their charges for cable and telecommunications service.

17 The future rates proposed by the Company are based on the formulas adopted by the FCC
18 in 47 CFR § 1.1409 (c) through (f) in effect on July 16, 2007⁷ and are intended to serve the
19 interests of the Company's electric customers through reduced subsidies. The uniform rate
20 proposed by the Company if applied to all attaching entities provides a "level set" rate for
21 pole attachments that, as broadband expansion through increased pole attachments occurs,
22 would drop commensurately. It may be appropriate to consider refinements to the
23 Company's proposed methodology, recognizing that electric service customers pay for

⁷ See §1.1409, 47 CFR Ch. I (10-1-06 Edition)

1 poles through electric rates and that any reduction to pole attachment rates equates to a
2 subsidy on their part. Meanwhile, it is appropriate and just and reasonable to maintain the
3 currently applied pole attachment rate methodologies until the end of the Rate Settlement
4 period, thus assuring the integrity of the Rate Settlement.

5

6 **Q. Please summarize your testimony.**

7 A. PSNH recommends that the Commission adopt the Company's proposal for a uniform rate
8 methodology for calculating pole attachment rates as set forth above. Adoption of this
9 methodology will reduce the subsidy that currently exists and result in a more equitable
10 distribution rate for PSNH's customers. Such methodology should be implemented at the
11 time of the next distribution rate change.

12

13 **Q. Does this conclude your testimony?**

14 A. Yes.