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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

January 7, 2014 - 10:09 a.m.
Concord, New Hampshire

NHPUC JAN21'14 PM 1:02

RE: IR 13-336
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE:
Review of Line Extension Policy.

PRESENT: Chairman Amy L. Ignatius, Presiding
Commissioner Robert R. Scott

Sandy Deno, Clerk

APPEARANCES: Reptg. Public Service Co. of New Hampshire:
Matthew J. Fossum, Esq.
Charles Goodwin
Donald Nourse
Janet Kelliher

Reptg. Residential Ratepayers:
Stephen Eckberg
Office of Consumer Advocate

Reptg. PUC Staff:
Suzanne G. Amidon, Esq.
Steven E. Mullen, Asst. Dir./Electric Div.

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

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P R O C E E D I N G

1
2 CHAIRMAN IGNATIUS: All right. Good
3 morning. I'd like to open the hearing in Docket IR
4 13-336. This is Public Service Company of New Hampshire's
5 line extension policy. And, it's a docket that was opened
6 at the Commission's urging, rather than a request by the
7 Company. It grows out of a tariff filed pursuant to an
8 order issued in 2009 that set forth a process and a
9 methodology. And, the Company made that filing in
10 accordance with that process. And, the Staff had
11 recommended approval of the tariff, but noticed some
12 changes that had happened over time, and that it raised
13 some questions whether it would be worth exploring some of
14 these new issues going forward.

15 So, let's first begin with appearances,
16 and then I'll walk through what I think is happening this
17 morning, and get any comments from other participants on
18 any aspects of it that you would like to address. But why
19 don't we first begin with appearances.

20 MR. FOSSUM: Good morning,
21 Commissioners. And, I guess Happy New Year. Matthew
22 Fossum for Public Service Company of New Hampshire this
23 morning.

24 CHAIRMAN IGNATIUS: Good morning.

1 Welcome.

2 MR. ECKBERG: Good morning,
3 Commissioners. For the Office of Consumer Advocate, I'm
4 Stephen Eckberg. And, for the record, I would note that
5 the OCA did not file a letter of participation in this
6 docket, if, in fact, that was necessary.

7 CHAIRMAN IGNATIUS: I don't think
8 there's a need. It's a public comment/investigation stage
9 right now. And, so, that's perfectly fine that you're
10 here. So, thank you.

11 MR. ECKBERG: Thank you.

12 MS. AMIDON: Good morning. Suzanne
13 Amidon, for Commission Staff. And, with me today at the
14 table is Steve Mullen, the Assistant Director of the
15 Electric Division.

16 CHAIRMAN IGNATIUS: Good morning. And,
17 sir, I don't know if you're planning on participating
18 today?

19 MR. SIMEK: No. We're just here to
20 observe.

21 CHAIRMAN IGNATIUS: Okay. Thank you.
22 So, the order of notice had called for a hearing this
23 morning, and that the order be published. I assume we
24 have an affidavit of publication filed? Good. Thank you.

1 That it called for a hearing this
2 morning to hear comments on a number of questions that
3 were spelled out in the order. So, let me just restate
4 those: "Whether customers experience any savings by
5 engaging the services of an independent contractor to
6 extend" -- excuse me, "to install line extensions pursuant
7 to RSA 370:12, as opposed to using utility services?"
8 Second, "whether PSNH should consider implementation of
9 average per foot costs for single-phase overhead line
10 extensions, both with and without tree trimming?" Third,
11 "whether the costs of line extension along a public way
12 should be the same as the costs for extensions on private
13 property?" Fourth, "whether a different methodology for
14 assessing line extension charges would be appropriate and
15 in the public interest?"

16 Obviously, in addressing those, there
17 may be some further background and facts that are helpful
18 for the discussion, because this does go back a number of
19 years and is an interplay of a couple of different
20 dockets.

21 So, Mr. Fossum, are you able to give us
22 a little bit of a walk-through of how we got from the
23 early stages to where we are today to start out?

24 MR. FOSSUM: Sure. And, I can keep it

1 relatively surface level, unless you would like to get
2 into some greater detail. The background, I suppose, is
3 this grew out of the PSNH's 2006 rate case. There was an
4 issue in that rate case regarding the cost for line
5 extensions and some related issues. And, there was a
6 settlement agreement in that rate case where the Company
7 had agreed to work on the issue with Staff. And, the
8 outcome of those discussions, of that process, was a
9 docket filed in 2008 became 08-135, dealing with PSNH's
10 line extension. And, for what it's worth, at the time, up
11 until the 08-135 docket, PSNH's line extensions, at least
12 for the residential and small commercial customers, what
13 would happen is that I believe it was the first 300 feet
14 would be free, in so many words, and -- but extensions
15 beyond that would be, when they were built, the cost of
16 that extension was then distributed over the next five
17 years' worth of electric bills for the customer, so that
18 the cost of the line was paid over time. And, if, during
19 those five years, another customer came onto that line
20 extension, to gain service from that extension, the cost
21 of the original extension would then be reallocated
22 amongst the first customer and the new customer, and any
23 subsequent customers who came on until the end of the
24 five-year period. So, that became administratively

1 difficult. In fact, I think it was in PSNH's testimony in
2 the 08-135 docket, I believe that, yes, PSNH was
3 monitoring 524 active line extensions at the time of that
4 filing. So, this was, you know, administratively
5 burdensome to deal with.

6 And, so, there was a proposal made to
7 make a simpler, more straightforward line extension
8 policy. And, so, the proposal that PSNH made in the
9 08-135 docket, which was ultimately agreed to in a
10 settlement agreement between the Company, the Staff, the
11 OCA, and the Home Builders & Remodelers Association of New
12 Hampshire, was that the new policy would be a cost per
13 foot, and that the cost per foot would be paid up front,
14 rather than over five years after the extension was built.
15 Those per foot costs were phased in over three years,
16 beginning in 2011, and then up through March of 2013.
17 And, then, after March of 2013, it was to be a per foot
18 cost based upon PSNH's actual costs. And, so, that was in
19 2013, that was what was filed by PSNH, reviewed by the
20 Commission staff, and that was the rate that ultimately
21 went into effect in late November 2013.

22 So, in so many words, that's how we got
23 to where we are now, is a administratively cumbersome
24 policy, that resulted in sometimes some odd subsidizing of

1 new customers by existing customers, was replaced by a
2 more streamline policy that was as part of a settlement
3 agreement between a number of parties and agreed to and
4 approved by the Commission. And, I'll note just in
5 passing that PSNH did specifically send the Commission's
6 order of notice to a representative of the Home Builders &
7 Remodelers Association. I did not hear back from them on
8 the issue one way or another, but we did send it to them
9 specifically.

10 So, unless you have an immediate
11 question, I guess that's sort of the very brief history of
12 how we got here today. And, my understanding is that the
13 increase from the agreed upon phased in amount, to the now
14 PSNH actual cost amount was sort of, I guess, the driver
15 of the Commission's interest in reviewing the policy
16 today.

17 So, I don't know if you would like me to
18 address the specific questions in the order of notice or
19 if you have other questions at this point?

20 CHAIRMAN IGNATIUS: Maybe, before we go
21 to the questions in the order of notice, does the Staff
22 have anything else to add as the sort of background or the
23 pertinent developments as we worked our way to this point?

24 MS. AMIDON: Well, I think Attorney

1 Fossom is correct. I think a lot of the issues that arose
2 out of that 2006 distribution rate case for PSNH was
3 trying to align costs with the cost causers and to avoid
4 subsidization. And, eventually, that led to the
5 development of the proposal that was presented in 08-135.
6 And, Staff, obviously, supported that and signed onto that
7 Settlement Agreement. If you recall also, Staff recently
8 filed a memorandum indicating that it had conducted an
9 in-depth review of many of the specific line crossings,
10 and had found that the calculations that PSNH had advanced
11 in its revised tariff were supported by the facts and the
12 record.

13 And, finally, I think Staff's memo on
14 November 22nd took one final look, and raised the issue
15 about whether tree trimming costs should be included
16 across-the-board or whether -- and suggested that PSNH
17 should consider removing those costs and having only tree
18 trimming costs incur where actual tree trimming occurred.

19 So, those, I just wanted to provide that
20 information to you. Obviously, we, you know, believe that
21 they conducted the review of the costs according to the
22 Settlement Agreement, and that the tariff should go into
23 effect.

24 CHAIRMAN IGNATIUS: So, let's talk a

1 little bit about, now that the Company has developed
2 actual costs and what the consequences of those are, in
3 the order of notice it references the "single-phase
4 overhead line extensions", which are the most commonly
5 requested, would increase or now have, with the new tariff
6 going into effect, increased from \$11.40 to \$20.71, and
7 that of that increase, a little over \$3.00 per foot is
8 attributable to tree trimming expenses from the order of
9 notice. And, that leads to some of the questions that
10 were raised in the order of notice.

11 So, Mr. Fossum, maybe you can describe a
12 little bit about the actual costs and how tree trimming
13 fits into it, and the development of costs overall.

14 MR. FOSSUM: Certainly. And, I may
15 defer to some of my colleagues from the Company here, who
16 may have a bit better knowledge about the actual costs and
17 derivation of those costs than I do. I'll not a couple of
18 things first. Is that, under the Settlement Agreement
19 from the 08-135 docket, well, at the time of the 08-135
20 docket, PSNH's actual proposed rate for line extensions
21 was \$13 and something cents per foot. And, the Settlement
22 Agreement called for a phased in amount that was lower
23 than that at first, and eventually only slightly higher
24 than that. So, I did want to point out that, while it

1 seems like a fairly significant jump from last -- from the
2 end of the Settlement Agreement through this year, where
3 the actual costs are in, some of that is probably due to
4 the fact that the rate was somewhat suppressed by the
5 Settlement Agreement for a time. So, had actual costs
6 been used prior, the disparity would not necessarily be as
7 large.

8 As for the tree trimming expense, my
9 understanding of that is that it is -- it's included in
10 the rate, which is an average rate. So, it's meant to
11 achieve an average across every line extension. And, so,
12 you know, that would encompass those extensions going over
13 an empty field, just as they would through some, you know,
14 dense underbrush and heavy growth. You know, how exactly
15 that \$3.13 was derived, I don't know. But I could -- one
16 of my colleagues may know, and could perhaps provide
17 greater detail, if that's what you're looking for right
18 now.

19 So, at any rate, I guess that's -- I'm
20 not sure if I've answered your question exactly, but
21 that's where those rates came from, is, you know, it's an
22 average rate based upon our current costs of construction
23 and tree trimming. The trimming there, I would note, is
24 the trimming associated with the construction of the line

1 itself, not maintenance trimming after-the-fact or
2 anything like that.

3 CHAIRMAN IGNATIUS: So, if something is
4 installed, a line is extended through an empty field, as
5 you say, there's no break on the rate; and, if it's
6 installed through a heavily forested area, there's no
7 change in the rate?

8 MR. FOSSUM: It's a cost per foot,
9 regardless of the terrain.

10 MR. GOODWIN: I think one of the things
11 that we struggled with as we were talking about those
12 types of scenarios is how do you define "tree trimming",
13 if we were to differentiate? For example, if you have to
14 trim one limb as you're moving into an extension, versus
15 trimming through a forest, I mean, at what point do you
16 define it as "tree trimming" or not? And, so, I think,
17 kind of any way you slice it or dice it, you're going to
18 have to use some kind of assumptions and averages,
19 otherwise you're back to tracking the individual 500 and
20 some odd projects project by project by project.

21 CHAIRMAN IGNATIUS: Well, why don't you
22 go through the questions, and then I'm sure there will be
23 some follow-up discussion about those.

24 MR. FOSSUM: Certainly. So that the

1 first question, as you noted, is "whether customers
2 experience any savings by engaging services of an
3 independent contractor as opposed to using utility
4 services?" That's the relatively new statute, the 370:12,
5 which permits customers to use independent contractors,
6 rather than utilities, for extensions over private
7 property. And, I guess the short answer is we don't know
8 whether customers would achieve any particular savings,
9 because we don't know what an independent contractor would
10 charge a customer. So, we don't -- I mean, PSNH doesn't
11 have in its books, you know, whatever charge another
12 company may ask of a customer for an extension. As I just
13 noted, you know, PSNH's policy is a -- it's an average
14 cost per foot regardless of terrain. So, it's certainly
15 possible that, in a, say, you know, the open field that I
16 referenced, that a private contractor would be less
17 expensive, because that's -- the cost of going over an
18 open field would be lower. But it's certainly just as
19 possible that it's, in, say, a heavily forested terrain,
20 you know, our average rate remains the same, and the
21 contractor's rate may go up significantly. We don't -- we
22 simply just -- we don't know that. We don't have that
23 information available to us.

24 CHAIRMAN IGNATIUS: From a customer's

1 perspective, how do they go about making that decision?
2 What do you supply them to help them in making that
3 decision?

4 MR. FOSSUM: I'm not sure what the
5 Company supplies specifically. But, I mean, the rates are
6 in our tariff. So, you know, as for what happens out in
7 the field, I don't know if --

8 CHAIRMAN IGNATIUS: Do you give them a
9 measurement? Do you tell them the extent, what the charge
10 would be?

11 MR. NOURSE: Yes. We give them a per
12 foot cost. If a customer is inquiring about building a
13 line extension on private property, we would give them the
14 applicable per foot cost, whether it's overhead or
15 underground. They can then take that cost with their
16 plans, measure it out to where they believe it's going to
17 be, and then they can go ahead and get a quote from a
18 contractor to do the same type of work. So, they do have
19 a comparison, you know, a comparison mechanism available
20 to them today. Where, before the order back in 2012, the
21 law that changed, they didn't have that choice. Today,
22 they have that choice.

23 CMSR. SCOTT: Do you provide them, you
24 know, with a resource? Do you suggest to them that that's

1 an option available to them, and you could check this site
2 or whatever for contractors or --

3 MR. NOURSE: When they call in
4 initially, if they think that's too high or, you know, it
5 sounds like a lot of money, you know, we say, "well, you
6 have the option to build it yourself, whereas before you
7 did not." So, they do know that it's available to them.
8 Some folks don't have the wherewithal to do that. There's
9 a lot of coordination and stuff that goes along with that,
10 and they may not choose to do that, but the option is
11 there.

12 CMSR. SCOTT: I would think that would
13 be a benefit to the utility in that, if somebody is
14 offended by your cost, and they go check it out, and
15 you're cheaper, so, "well, this is a good deal", or, vice
16 versa, "well, I'll just do it on my own and I have that
17 option." I guess I'm guessing.

18 MR. FOSSUM: I guess it could be that
19 case. And, one of the things that we actually talked
20 about is that one of the things that may end up happening,
21 and I'm not saying it's good or bad, is that, if people
22 start to do those comparisons and are always going to a
23 contractor for the lower cost, then, almost by definition,
24 we would end up with higher cost ones, you know, across

1 the board, which ultimately may increase the average.
2 But, you know, we don't know that. It's a relatively
3 recent law. I don't know that we've had a tremendous
4 amount of experience with it.

5 One other thing I did want to note,
6 though, is that, regardless of who builds the line, if the
7 Company is ultimately going to take ownership of the line,
8 which would mean, you know, maintenance responsibilities
9 and the like, is that there are minimum construction
10 standards that need to be met. And, so, those standards
11 have to be met regardless of who builds it, and among
12 those standards are things like tree clearances. So, you
13 know, whether we're doing it or somebody else is doing it,
14 somebody needs to be on the lookout for things like tree
15 trimming and what needs to be done. And, if a customer
16 hires a contractor, and a contractor goes out and builds a
17 line, but, say, only trims a little bit to get the line
18 through, and the Company comes out to do its inspection
19 and says that "those clearances are inadequate", the
20 Company certainly could decline to take ownership of the
21 line until those clearances are met.

22 CHAIRMAN IGNATIUS: Do you do anything
23 to inform customers of that and that their contractor
24 needs to understand what those clearances are and the

1 safety requirements?

2 MR. NOURSE: Yes. Yes. We provide all
3 of our construction standards. We require the contractors
4 to be contractors that work for PSNH, so they know our
5 construction standards, they're aware of our material
6 standards, and those materials have to be approved before,
7 you know, we'll take ownership of that line. We certainly
8 want to ensure that the line is built to the PSNH
9 standards before we'll take ownership of it.

10 CHAIRMAN IGNATIUS: So, there shouldn't
11 be surprises after-the-fact. That, if the customer
12 chooses to take a private contractor, they have selected
13 someone that is aware of the PSNH requirements?

14 MR. NOURSE: Yes. And, we provide those
15 requirements, our "Requirements for Electric Service"
16 book, our "green book", if you will, has all those
17 requirements in it and standards. So, there should be no
18 question about what they're comparing. When we get out
19 there to inspect it, there shouldn't -- you know, I'm not
20 saying there's -- it's never cut-and-dry. There's always,
21 you know, some things folks have questions on, but it's
22 fairly clear in the standards.

23 CMSR. SCOTT: And, to clarify, when you
24 talk about "taking ownership of the line", the impact to

1 the customer, I assume, is PSNH will not install a meter
2 at your house until that's all accomplished, is that
3 correct?

4 MR. NOURSE: That's correct.

5 CHAIRMAN IGNATIUS: Also, before I
6 forget, we're going to need to get everyone's names who's
7 speaking for the record. So, Mr. Patnaude, if you want to
8 do that now or later?

9 (Court reporter requesting names of the
10 two speakers in order from PSNH.)

11 MR. FOSSUM: Okay. Well, in that case,
12 in the order that Mr. Patnaude has asked for them, it's
13 Charles Goodwin, with Northeast Utilities. And, then, Don
14 Nourse, N-o-u-r-s-e, with PSNH.

15 MR. PATNAUDE: Thank you.

16 CHAIRMAN IGNATIUS: Thank you. And, if
17 the construction that's required is both on the public way
18 and a private property, I'm assuming going down the public
19 road a little further, and then cutting up through the
20 private property of the homeowner, do you have situations
21 like that? And, if so, how does the Company break out the
22 costs and the ability to use a private contractor?

23 MR. NOURSE: Well, that would be at the
24 customer's request. We would review the -- what they're

1 looking to do. And, if the option was that they wanted to
2 build their line extension on private property, we would
3 then give them the price, per foot price for the main
4 road, and then work to build that once they pay us, and
5 then work with them to, you know, take ownership of their
6 private line after they built it.

7 CHAIRMAN IGNATIUS: But you would do the
8 extension that takes it further down the public way, and
9 then the customer either would have you do from that point
10 to their connection on their property or would have a
11 private contractor take it from that point?

12 MR. NOURSE: That's right. Yes.

13 CHAIRMAN IGNATIUS: All right. We'll go
14 back to the questions, Mr. Fossum. I know I'm jumping
15 around here, and sorry if I'm making it complicated.

16 MR. FOSSUM: No, that's fine. The
17 second question, on "whether PSNH should consider
18 implementation of a per foot cost for overhead extensions
19 with and without tree trimming?" We discussed this matter
20 at some length in a number of meetings. And, there are --
21 certainly, there are ways of doing it, but each of them
22 seems to present, at least the ones that we've sort of
23 looked at, have presented an administrative difficulty.
24 Things like putting out an initial bid to a customer of a

1 total cost, with some refund due, if the trimming turns
2 out to be less than had been anticipated. I guess the
3 issue is, how do you determine how much of the refund is
4 due? When you wrote the job, there was an assumption of a
5 certain amount of tree trimming. So, if it's a 400-foot
6 extension, but there's only trees on 200 feet, would you
7 then -- would you discount the 200 feet? Well, maybe,
8 maybe not. Depends on the circumstances. And,
9 alternatively, there was an issue of eliminating -- there
10 was the possibility, we supposed, of taking all the
11 charges either out entirely up front and billing them on
12 the back end for tree trimming costs, depending on what
13 the situation actually presents, but we may run into a
14 situation where we have a disagreement with a customer
15 about what should be done, how much should be done, how
16 much they should be charged for. We may end up with an
17 issue where we say to the customer, you know, "Your line
18 extension will cost some amount of money, that does not
19 include tree trimming costs", and then bill them
20 after-the-fact and the customer doesn't want to pay for
21 some reason. And, you know, so that was did we want -- we
22 were concerned about having those sorts of issues come up.
23 We're certainly open to discussing the issue. We're not
24 foreclosing it. But those were some of the concerns that

1 we had noted and some of the ideas that we had floated
2 around.

3 CMSR. SCOTT: How do you answer a
4 customer, say I just prepped my site with a bulldozer, I
5 mean, there's not a tree or a shrub or anything, and now
6 you come in and I see that I'm being charged for tree
7 trimming, which I just did myself. So, how do you answer
8 a customer saying "why do I have to pay that?"

9 MR. FOSSUM: Well, the tree trimming
10 isn't called out specifically as a separate line item in
11 the rate. I mean, it's a rate per foot for a line
12 extension. Some of those line extensions will include
13 tree trimming and some will not. Some will have a little
14 and some will have more. So, you know, yes, a customer
15 may say "Well, I've just prepared my site. It's a clean
16 shot from a pole across private property to my house, and
17 that's all you need to do." And, you know, the answer
18 would be, "Well, like all of our other rates, this is the
19 rate that's in our tariff. It's a cost per foot. And,
20 so, for that distance, this is what we charge." And, we
21 wouldn't -- we wouldn't be in a situation where we'd be
22 negotiating with the customer over what did or didn't need
23 to be done.

24 MR. GOODWIN: I think that's, excuse me,

1 fairly typical of most of our tariffs, and not just
2 PSNH's, but all utility tariffs. Kind of, by definition,
3 you have to build off of some averages. And, we get
4 similar types of questions from the customer who says
5 "well, you know, I'm 100 feet away from the substation"
6 or, you know, "I'm off of a multi-fed transformer. You
7 know, why do I have to pay the full cost?" I mean, from a
8 practical perspective, you have to have a set of rates
9 that represents some kind of average cost. And, it's
10 really not practical to have a customer-specific charge or
11 rate or cost. Otherwise, again, we're back to that
12 administering 500 and some odd applications.

13 CHAIRMAN IGNATIUS: And, you don't have
14 special surcharges for, you know, extra forested area or
15 hitting ledge or something like that?

16 MR. FOSSUM: I don't believe so. It's a
17 cost per foot, based upon our average -- based upon our
18 actual cost over the prior year.

19 MR. NOURSE: So, the line extension
20 across the field could be all ledge. So, therein lies
21 more expense. But, on the average, you know, that would
22 kind of wash out any tree trimming that you didn't pay
23 for. So, on the whole, you know, it's like Chuck said,
24 it's the average of where we're trying to get to.

1 CMSR. SCOTT: And, I suppose a similar
2 analogy is, if I elected to have it underground, I don't
3 pay extra whether I have granite or whether I have loam
4 the whole way, correct?

5 MR. NOURSE: Correct.

6 CMSR. SCOTT: And, speaking of it, am I
7 correct that the cost for undergrounding is actually
8 cheaper than aboveground?

9 MR. FOSSUM: Currently, that's true.

10 CHAIRMAN IGNATIUS: Yes. I was struck
11 with that. Do you want to explain any more about how
12 those costs work out? We're often told that
13 undergrounding is more expensive, so --

14 MR. NOURSE: Well, in the tariff, the
15 customer is responsible for all trenching, backfill,
16 transformer slabs, ground grids, *etcetera*. So, all those
17 costs are incurred by the customer up front. The costs
18 that you see there are us installing the wire, terminating
19 it, running it to the meter socket and such. So, on the
20 whole, it's less expensive for us to do that piece of it.
21 But, when you look at the big picture, the customer is
22 incurring additional costs. So, when they get the bill
23 for that, it's more expensive than overhead.

24 CHAIRMAN IGNATIUS: Then, I guess I

1 don't follow what you said a moment before, that if a
2 person wanted it -- I guess that wasn't an undergrounding
3 situation, was it?

4 MR. NOURSE: Right.

5 CHAIRMAN IGNATIUS: You just said "open
6 field that had ledge".

7 MR. NOURSE: Right. So, if the customer
8 has ledge and they want to underground, they're incurring
9 that trenching cost. So, that's, you know, the consumer
10 doesn't -- the electric customer doesn't see that, because
11 it's the average of us just bringing the wire through and
12 terminating it. So, it's those construction costs.

13 CMSR. SCOTT: So, my analogy really
14 doesn't hold, because you're not putting the trench in
15 anyways. So, whether it's granite or sand, --

16 MR. NOURSE: Right.

17 CMSR. SCOTT: -- it doesn't matter to
18 you, because that's not part of your tariff?

19 MR. NOURSE: Right. It matters to us on
20 the maintenance end, making sure they put it in correctly.
21 But, as far as the cost, no. That's right.

22 CMSR. SCOTT: Thank you.

23 CHAIRMAN IGNATIUS: Wherever we left
24 off, you can pick up again.

1 MR. FOSSUM: Then, I guess, moving on to
2 the next question about "the costs of extensions on public
3 ways versus across private property", and I think we've
4 touched on this a little bit already. And, you know, I
5 just note, I mean, as I think we've made clear so far,
6 under our policy, the cost is the same, whether we're, you
7 know, it's running down a main road or across private
8 property. So, to the extent that a customer, you know,
9 may see a difference in the private property portion of
10 that, they could go to it, but PSNH's costs right now are
11 the same for construction everywhere.

12 You know, I'd note PSNH does have some
13 rights and abilities to do work on public property that an
14 individual customer either may not have or may not be able
15 to get. You know, we have the rights in many, in most
16 places, you know, to put poles, and to use the public
17 right-of-way. And, even if we don't have it, we can get
18 it. It would seem unlikely, in some instances, that an
19 individual customer, you know, a residential customer
20 building a house, who happens to need something down, you
21 know, a new road is not going to go out to the town and
22 get, you know, rights in the right-of-way to put poles in
23 it or anything like that.

24 So, I just -- I guess the point of

1 noting that is not necessarily to say "oh, there is,
2 therefore, by definition, some sort of cost difference."
3 But I would just note that is a -- there's a difference in
4 the type of construction that may not be easy to work into
5 a new rate. You can't -- it's hard to say that there's a
6 certain cost to recover from that.

7 So, I guess that's just some notes on
8 that. Whether they should be the same, I guess, at this
9 point, we don't really have a strong feeling on that issue
10 one way or another. Our rates are based on our costs for
11 all kinds of construction, whether private or public.
12 And, that's --

13 CHAIRMAN IGNATIUS: And, that's another
14 one of these average rates that doesn't differentiate
15 when --

16 MR. FOSSUM: Yes. It's the same rate.
17 It's, you know, whether -- you know, what is it, \$20.71,
18 whether that's running down entirely on private property
19 or mostly on public property, it doesn't matter. It's the
20 same rate.

21 CHAIRMAN IGNATIUS: Isn't one of the
22 components of any work in a public way police details for
23 traffic control?

24 MR. FOSSUM: Most of the time, yes.

1 CHAIRMAN IGNATIUS: And, would you see
2 that on any installation on private property? Would you
3 incur that cost?

4 MR. NOURSE: Not unless -- not unless
5 the work they did in the street to connect that, the town
6 required it by an ordinance. So, as much as you're
7 exposed there, it's possible, but not probable.

8 CMSR. SCOTT: So, on the public way
9 issue, I just want to kind of think through a scenario,
10 and your tariff years ago used to be different. So, I'm
11 going to put my house at the end of a dirt road that
12 currently doesn't have any service, and it requires --
13 that road gets paved or whatever, but it requires a
14 certain amount on that public way and then a certain
15 amount to my house. Right now, I pay for the whole thing.
16 Two months later somebody comes in and puts a house in
17 between the two, and they only have to pay for, because
18 that public way is already there, that line, they only pay
19 for it to their house, assuming it's beyond the minimum.
20 Is that still correct?

21 MR. FOSSUM: Under the current policy,
22 yes. They would pay for the portion of the extension that
23 goes from the two months ago constructed portion on the
24 public way, they would just pay from that point to their

1 home.

2 CMSR. SCOTT: So, it kind of brings up
3 -- probably the person who paid the first part would call
4 the other one a "free rider", perhaps.

5 MR. FOSSUM: They may, and that happened
6 under the prior policy.

7 CMSR. SCOTT: And, correct me if I'm
8 wrong, going back in history, the policy you had before
9 that would be there was some kind of timeframe by which,
10 if somebody came in, they would contribute?

11 MR. FOSSUM: It would be, yes, for five
12 years. So, in your scenario, the portion of the line that
13 went down the public way, that now somebody else could tap
14 off of, for five years that would be essentially
15 monitored. And, if a new customer was to come on, that
16 customer, there would be sort of a shuffling of costs to
17 account for the new customer. And, then, you know, say
18 six months or a year later, another customer comes on, we
19 have to reshuffle, you know, the costs at that point
20 again, and so on and so forth. And, so, some of these
21 became very difficult over time to deal with, because, you
22 know, of the time. And, five years can be a long time in
23 the construction of -- you know, if you've got a new road
24 that's going to have new developments, you know, you may

1 have no houses in five years, or you may have 15 houses in
2 five years. And, you know, we simply didn't -- you know,
3 there's no way we would know, one way or another, whether
4 that was going to happen.

5 CMSR. SCOTT: And, again, going back in
6 history, that was deemed -- and, am I correct, that was
7 effectively deemed administratively not -- it was
8 burdensome? Does that sound correct?

9 MR. FOSSUM: It was burdensome. And,
10 you know, I would point to, in the 08-135 docket, in the
11 testimony that PSNH initially filed in it, there was some
12 discussion in that testimony about why it was so
13 burdensome. You know, there was sort of a central
14 repository of these line extensions. And, so, if somebody
15 was going to go and build a new home, and there was, you
16 know, an existing line there, somebody, you know, a PSNH
17 technician would go out to the field, they would say "Oh,
18 there's an existing line. So, we can run the line to your
19 new home." The PSNH technician may or may not have any
20 knowledge of when that existing line was built. They
21 might look at it and say "Well, you know, everything there
22 looks new. So, maybe I'll go and look to see if that was
23 built in the last five years." But they might not know,
24 they might not know to look. There might be issues, noted

1 in the testimony, for example, if there's a new
2 development that goes in, where, at the time that service
3 is extended, there's no streets or at least no street
4 names. There's a developer name. But, two years later,
5 now houses are built, now there are roads that are named,
6 there are now public ways owned by the town, whereas
7 before they were just under the developer, it may not be
8 possible necessarily to find out easily that that's the
9 same extension that was built three years ago or five
10 years ago.

11 So, tracking all of those and
12 discovering which ones qualified, then tracking which
13 costs needed to be reallocated and in what manner, yes, it
14 was administratively difficult. And, as I say, at the
15 time of the filing, there was 524 open and active ones.
16 So, you know, sometimes more, sometimes less. But there
17 were more than 500 going at any -- at one time is what was
18 happening then.

19 CMSR. SCOTT: That makes sense. I will
20 just quip, I guess, that hopefully, under your new outage
21 management system you will have all your lines and poles
22 identified, so there won't be any problem knowing who and
23 what and where. But I'll leave that alone. I'll take
24 that on faith, how's that?

1 MR. NOURSE: Outage management is very
2 different. It's easy to figure out.

3 CMSR. SCOTT: Okay.

4 CHAIRMAN IGNATIUS: I'm sorry. I can't
5 take it quite as lightly as that. You're saying you don't
6 even know, a technician has no way of finding out the age
7 and installation time of a line that's out there in the
8 field?

9 MR. FOSSUM: No, no. I'm not, no. And,
10 in fact, I wouldn't suggest that they had "no way of
11 knowing", no. I wouldn't -- I don't think the Company is
12 in the mood to hide that information from its own people,
13 that wouldn't make any sense. No. What I'm indicating is
14 that, whoever the technician was who would have to go out
15 there would have to take it upon him or herself to go and
16 find that out, to make sure that that was within that
17 five-year period. And that, you know, to do that for -- I
18 guess they might have to do that for every single
19 extension, to avoid the possibility of missing one. If
20 one is, you know, missed, for whatever reason, and never
21 caught, you know, how would that be reconciled, is -- you
22 know, that's not clear.

23 And, so, I'm not suggesting that the
24 person -- the Company's personnel couldn't find out. What

1 I was suggesting is that, in some instances, it may not be
2 as easy as simply just going to a book and flipping to the
3 book for Maple Street in some town and finding that out.
4 Sometimes there may be more to it than that, which may
5 result in it being missed or not properly accounted for.

6 CHAIRMAN IGNATIUS: And, when an
7 extension would be put in where you do know that it's part
8 of a larger project, that it's an intention of a
9 development that's going to keep on down the road, and
10 could be multiple developers looking to expand in that
11 area, today, under the new tariff arrangements, it's still
12 just the first extender that has to pay for that
13 extension, even though it's understood that there's going
14 to be more to follow?

15 MR. FOSSUM: I suppose that would depend
16 on the nature of the development. But, if it's, you know,
17 say a company that purchased, you know, a 30-acre parcel
18 and is going to subdivide it off and build houses on it
19 and sell those off, I mean, that company would pay the
20 cost of running that extension through all of those
21 properties up front and would, you know, we would surmise,
22 would very likely include the cost of that in the cost of
23 the homes that were ultimately or lots that were
24 ultimately sold off.

1 If it's a situation where a single
2 person buys a lot that happens to be a long distance off
3 from the existing line, where there's nothing between that
4 line and their new lot, they would pay that total cost to
5 run it there. And, if, you know, by fate or coincidence,
6 somebody else then later built a house between the
7 location of that old line and this new house, then that
8 first customer would have picked up the cost of at least,
9 you know, the majority of the cost of that extension most
10 likely, depending on the situation.

11 CHAIRMAN IGNATIUS: Do you ever oversize
12 facilities, you know, creating more capacity on that line,
13 because of the possibility of more extension -- more to
14 come down the road?

15 MR. NOURSE: No. We would build it to
16 current standards today, unless, you know, we expect to,
17 you know -- no. I would say "no". If someone is asking
18 us to extend the line 600 feet down a public way, we use
19 standard construction materials, certain size wire, that's
20 going to be able to take care of any residential
21 expansion. We wouldn't overbuild anything. You know, if,
22 tomorrow, a factory came in there, then they would be
23 incurring that cost to upgrade to take care of that. But
24 any residential single-phase line extensions, they're all

1 built with basically the same materials/construction
2 standards.

3 CHAIRMAN IGNATIUS: All right. And,
4 then, let's go to the fourth question. And, then, I just
5 warn everyone, I'm going to give an opportunity for both
6 the OCA and the Staff to comment on the questions or
7 anything that we've been talking about, we may have more
8 questions. And, if the people who are here observing
9 would like to comment, that's also an opportunity then.

10 MR. FOSSUM: And, I suppose, on the
11 final question, I don't have just a whole lot to say at
12 this point. I mean, the question is just "whether a
13 different methodology would be appropriate and in the
14 public interest?" You know, we've talked about, this
15 morning, a number of the reasons that we moved from the
16 prior policy to what is PSNH's existing policy, and the
17 reasons for that. And, so, you know, we're open -- we're
18 certainly open to discussions to, if somebody has got a
19 good idea on how to do it, we're certainly open to
20 exploring those ideas.

21 In the end, I guess, you know, PSNH has
22 sort of two underlying concerns. One is about, you know,
23 are the costs being appropriately assigned to those
24 causing them and for recovery of those costs? And, for

1 keeping the administrative burden associated with line
2 extensions manageable. And, other than, you know,
3 addressing those concerns, we're certainly open to other
4 possible methods that may be out there that, you know, we
5 haven't either thought of or haven't explored to this
6 point.

7 CMSR. SCOTT: How does the policy of the
8 tariff compare to your sister companies, sister NSTAR
9 companies? I don't need the excruciating detail, but just
10 a broad brush.

11 MR. FOSSUM: We did a little bit of work
12 to compile some of that information. As far as, I mean,
13 to avoid the excruciating detail, I guess, in so many
14 words, it varies. I don't know that it's directly
15 comparable from one company to the other. There are, if
16 I'm reading this --

17 CMSR. SCOTT: So, more explicitly, do
18 you charge a set fee for public and private, aboveground
19 and underground, for instance?

20 MS. KELLIHER: Actually, our sister
21 companies break it down a little bit more than that. They
22 break down residential and commercial developments, they
23 break it down. We do everything by rate class, basically.
24 That's how our policies are designed. Their policies are

1 typically designed by end-use, at least the ones in
2 Connecticut and Western Mass. NSTAR is a little bit
3 different. But theirs are -- they do a lot of
4 administrative tracking of load and the customers coming
5 on, and they do a lot of refunds. So, it is -- it's
6 similar to what we used to have, when we had to track the
7 500 or so line extensions. And, they do do that refund
8 and charge other customers coming on.

9 CMSR. SCOTT: So, why -- hearing that,
10 why is it appropriate for the parent company to do that,
11 but not PSNH?

12 MR. FOSSUM: Well, I wouldn't say
13 necessarily it's the parent company doing it. I mean,
14 it's an affiliate company that happens to have a different
15 policy.

16 CMSR. SCOTT: That's fair.

17 MR. FOSSUM: You know, it's the way our
18 policy was. You know, for the reasons that came up in the
19 08-135 docket, we've gone to what is now the present
20 policy. It's not to say that it's, in all instances, you
21 know, better, it's just different. But, for us, it's --
22 for PSNH, it is administratively more efficient, and it's
23 more certain. I mean, it's a cost per foot for the
24 extension. And, that's -- there's no, you know, I won't

1 say "no discretion" on the part of anybody, but,
2 basically, that's sort of what it's designed to do, is to
3 say that, you know, for an extension of some distance,
4 regardless of the terrain or the circumstances, it will be
5 this cost. And, so, that makes it sort of clear for the
6 Company, it makes it clear for the customer. And, so,
7 that's -- I guess that's where it is.

8 And, for Mr. Patnaude, I did want to
9 note that that's Janet Kelliher from PSNH.

10 MR. PATNAUDE: Thank you.

11 MR. GOODWIN: And, if I could just add,
12 too, I think there's varying levels of complexity, too.
13 So, as Janet was describing, the other NU operating
14 companies are really all over the lot. And, I think that,
15 as we looked at this one, I'm not necessarily convinced
16 that, because they're different, they're better either. I
17 think they're much more complicated. And, I'm sure that
18 there will be an effort going forward to bring some more
19 consistency to those policies. I know, for example, CL&P
20 has already started to look at potentially revising some
21 of the line extension policies to bring some more
22 conformance. CL&P, for example, does have an average cost
23 per foot, too. So, it's not as though it is as
24 customer-specific. There's a little bit of, you know,

1 some of the more tracking that goes on in certain
2 instances. But, generally, it's a stated policy "X per
3 foot", *etcetera*. So that it's not dramatically different.
4 I think the differences are in how they're administered
5 and more some of the fine points. It would, again, make
6 it more complicated and costly to maintain, frankly.

7 CMSR. SCOTT: Thank you.

8 CHAIRMAN IGNATIUS: And, the change in
9 the policy, which the Commission approved, to go from a
10 collection of the fee over a five-year period on bills, to
11 an upfront cost, is that something that you see a
12 consistent policy among your different companies or does
13 that also run the gamut?

14 MS. KELLIHER: Most of the payments, I
15 believe, were up front with the other companies, with
16 refunds being given if appropriate. And, they also dabble
17 with letters of credit, customers' letters of credit for
18 36-month periods. So, again, it's all over the board, but
19 most of the money comes up front, unless there is a need
20 to charge it on their electric bill.

21 CHAIRMAN IGNATIUS: I think of some of
22 the energy efficiency measures that companies provide in
23 use of on-bill financing, where the customer doesn't have
24 to come up with the upfront cost. They pay it over time

1 through their bill. It seems to me, we're sort of going
2 in opposite directions here. That that on-bill financing
3 is a trend that's growing for energy efficiency measures,
4 and yet it seems like it's been pulled back on the line
5 extension policy. Do you have any thought on that?

6 MR. FOSSUM: Well, I guess, as I sit
7 here, my thought is, not that a payment over -- I mean,
8 one of the issues with some of the payment over time, from
9 what I recall of what was discussed in the 08-135 docket,
10 was that, in the end, the costs that were recovered were
11 somewhat less than the actual cost of establishing
12 service. So, there was a cost issue there. Presuming
13 that that could be dealt with, and to your point, I'd say,
14 in many instances, these charges are incurred as a home is
15 being built. So, you know, this could be considered a
16 cost of construction, which could be rolled into a
17 mortgage or a construction loan, and so would, in that
18 instance, sort of be taken care of over time in those
19 circumstances.

20 As for the issue of paying over time,
21 you know, assuming that the over-time dollars were dealt
22 with appropriately, as I sit here, I don't know that
23 that's necessarily a bad thing. I think, where the
24 administrative difficulty came in was in new customers

1 coming on and having to reallocate some of those costs.
2 It could also be the case that, if a customer pays or has
3 a line extension built, and that there's some, you know,
4 by agreement or otherwise, there's a responsibility on the
5 part of that customer to pay over a period of years, if
6 that customer moves out, say, four years later, before
7 that cost is paid, and, you know, a new customer comes in
8 and doesn't agree to pick that cost up, you know, now
9 you've got to go after that money in some forum. I
10 recall, I think there was a way to accelerate whatever
11 payments might remain by the original customer at that
12 point. So, I don't know if that would be a way of dealing
13 with that particular issue, is that, you know, have a
14 clause that says, if somebody moves out or leaves, that
15 all the -- you know, over-time payments that are left
16 would be accelerated and paid at that point.

17 So, you know, as I think I've noted, you
18 know, it's not that it's impossible to do. It just seems
19 administratively somewhat more difficult to deal with.
20 And, I think, in the energy efficiency area, and certainly
21 there are others in the room that may be able to correct
22 me if I'm wrong, on some of those on-bill financings, if,
23 you know, they're for large projects, weatherization, new
24 furnaces, things like that, where they do have a long

1 payback period. And, if somebody moves out before that
2 payback period is met, there is an acceleration of
3 payments that's due. So, it may not completely alleviate
4 the need to come up with some pile of cash in one shot.

5 CHAIRMAN IGNATIUS: Mr. Fossum, you had
6 said that the old policy resulted in some odd subsidies.
7 So, let me ask you about subsidies in the new policy.
8 And, again, this is something that the Commission
9 approved. But, on further exploration of it, I think it
10 does raise some more questions. I'm concerned about the,
11 you know, the second person who comes to the area, the
12 property is now greatly -- the property value is greatly
13 enhanced by having service running, you know, past their
14 property or across the street, and that they now can get
15 an extension with a relatively small -- get a hook-up with
16 relatively small expense, because the first customer took
17 all of it in entirety. And, that seems troublesome on
18 just a fairness perspective.

19 MR. FOSSUM: That's understandable. I
20 mean, I think that's a legitimate concern. Certainly, if
21 some customer has incurred a very significant expense,
22 then to have another customer come on a short while later
23 and incur, you know, little -- very little expense,
24 because the first customer bore the expense before others,

1 could potentially result in some inequities. But, you
2 know, I'm not certain how it is that that should be dealt
3 with. You know, under the old policy, you know, a
4 customer could wait five years and one month and build a
5 house and get the same benefit that they would because the
6 prior customer has now paid for five years. Or, they
7 could wait, you know, less than that, four and a half
8 years, and only bear some allocated portion of six months'
9 worth of leftover costs. So, you know, I guess it's the
10 case that whoever moves second, third and fourth will
11 achieve some measure of benefit, and what that measure is,
12 you know, depends on the circumstances.

13 So, I'm not certain, as I sit here, how
14 to deal with that, without becoming involved in individual
15 land purchases with every customer, and letting you know
16 that "Oh, you know, because you're moving in here, and
17 we're extending service to you, by the way, your neighbor
18 extended service, you know, out there at a significant
19 cost six months ago, so, some of that cost should be borne
20 by you." And, if you don't like it, you know, what's the
21 Company's role in making sure that those costs get
22 allocated out? I don't, you know, I don't know that I
23 want the Company involved in those sorts of those issues.
24 So, how it is to deal with the inequity issue, I don't

1 know, as I sit here, exactly how to deal with that.

2 CHAIRMAN IGNATIUS: Have you seen any
3 more streamlined approaches, either in your affiliate
4 companies or elsewhere, that has some degree of
5 reallocation, but maybe not as complex and burdensome as
6 the PSNH method was?

7 MR. FOSSUM: I would defer to my
8 colleagues on that.

9 MR. GOODWIN: I don't know that we know
10 all the details, but I'll just read you one cite as to how
11 WMECO does it, just to give you a sense of what I think to
12 be a complex situation. And, this is for individual
13 residential. And, so, I would --

14 CHAIRMAN IGNATIUS: All right. But I'm
15 not asking for the worst one, that's the most complex. I
16 was simply wondering if you knew any good ones that maybe
17 use some proxy numbers, but don't go to the extent of
18 detail that you may have had in the past or that WMECO may
19 have? I don't mean to cut you off. I just --

20 MR. GOODWIN: No. That's fine.

21 CHAIRMAN IGNATIUS: I'm looking for
22 constructive ways to maybe work through this.

23 MS. KELLIHER: To be honest with you, I
24 did a little bit of research with our sister companies

1 over their policies. And, as I asked them questions and
2 told them what we did, they all said "Oh, wow. I wish we
3 had your policy. It would be so much cleaner." So, --

4 CHAIRMAN IGNATIUS: Commissioner Scott.

5 CMSR. SCOTT: On the same front, and I
6 understand there's always a balance, and that's our job
7 here. It may be cleaner for the utility, maybe not so
8 fair to the customer, and, obviously, everybody has to
9 balance that. So, obviously, you all know that. But, on
10 the same line, I get, as the Chair has mentioned,
11 obviously, the Commission approved that change to go away
12 from the five-year issue, I guess I would ask, for
13 instance, a year, instead of five years. You know, that
14 relieves a lot of that long-term, you know, the further
15 away you get from an installation, clearly, the harder it
16 becomes, because a lot of things change, and I get all
17 that. But the closer you bring it in, it's a little bit
18 easier to manage. And, some of the optics from a customer
19 coming in are not as egregious. You know, they came in
20 five years later, well, that's five years. But, "gee,
21 they came in right on top of me, and now they get a free
22 ride. I just paid for it." I'm just wondering is why
23 doesn't that work?

24 MR. FOSSUM: Well, I don't know, as I

1 sit here, that it wouldn't work. As I said, we're open to
2 discussing these issues. You know, we've only -- we've
3 had some discussions internally about various items,
4 trying to determine, you know, sort of the positives and
5 the negatives of each of them, and, of course, there's no
6 perfect system. You know, very open to these and say, on
7 a given line extension, you know, the customer pays half
8 up front and the remaining half is set out over a year or
9 18 months, you know, I don't know whether that's a better
10 system or not. But, you know, to the extent that there
11 may be other, you know, suggestions out there, I think
12 we're open to discussing them, as long as, in the end, it
13 doesn't become, you know, sort of the administrative
14 nightmare that the prior policy had imposed, and so long
15 as the costs are appropriately, you know, assigned and
16 recovered.

17 MR. GOODWIN: But I think as well, too,
18 and I'm speaking a little out of school here, because I've
19 never worked in the field in my life. But, just from
20 thinking from a practical perspective, I think we talked
21 before, we're on residential for the most part here. It
22 seems to me there's two types of installations. One is in
23 a new development, and that's generally, as Mr. Fossum
24 described before, you know, driven by the contractor who's

1 building that development and will fund the entire
2 electrical connection into that development, provide the
3 service to the curve, and then that becomes part of the
4 cost of selling the house. So, I don't think -- it
5 doesn't seem to me like there's equity issues there,
6 because that's going to be handled as an overall project.

7 And, then, I just don't know, and I
8 really ask Don, how many non-development individual
9 onesie-twosie residentials where we have an extension, you
10 know, how frequently do we happen to have an additional
11 house somewhere between, you know, where that individual
12 one was? And, it just seems to me, from a practical
13 perspective, that it probably doesn't happen that
14 frequently.

15 MR. NOURSE: Yes. I mean, I wouldn't
16 dare say how many there are and how many there aren't.
17 But it's certainly a mechanism that the cost of getting
18 the utilities to your property, regardless of where it is,
19 is certainly, under the current rate structure, I know
20 what that cost is as a consumer. I know it's going to
21 cost me \$21 and so much cents a foot for power to get
22 there. And, I can use that as a bargaining tool when I'm
23 buying or purchasing a property. I can say, "You know,
24 this is a nice piece of property, but it's 800 feet, and

1 it's going to cost me X amount of dollars to get my
2 utilities out here", you know, and use that. Otherwise,
3 how would I get -- you know, I think it's fairly
4 straightforward. It's easy math to figure out what I'm
5 going to be charged to do that stuff. I think in the old
6 policy was very burdensome, very hard to understand, even
7 the folks that dealt with it every day was very
8 complicated, make sure, you know, everything was in
9 perfect alignment. So, this policy here is pretty
10 straightforward. And, we can talk about some of the
11 inequities. But, I think, on the average, on the whole,
12 it's, you know, it's much better than where we were
13 before. I'm not saying it's perfect, but it's much better
14 than where we were before.

15 CHAIRMAN IGNATIUS: All right. Why
16 don't we give an opportunity for other commenters.
17 Mr. Eckberg, are there any of these areas you would like
18 to address?

19 MR. ECKBERG: Certainly. I do have
20 several comments. Generally, I would say the OCA has been
21 historically supportive and continues to support the
22 rate-making principles of allocating costs to
23 cost-causers, which I think is sort of a basic underlying
24 principle that we're discussing here, and trying to figure

1 out the appropriate ways to assess line extension costs to
2 the causers or the requesters of those line extensions.
3 And, we're also trying to figure out ways to balance the
4 administrative costs, as well as trying to establish some
5 relatively simple methodologies, to make the process easy
6 for customers to understand, and as equitable as possible
7 for customers. And, trying to do all of this, obviously,
8 creates a number of challenges, as we discussed, as you've
9 been discussing this morning. And, we certainly
10 appreciate the Commission's thoughtful questions that you
11 raised in your order of notice in this proceeding.

12 These issues don't seem to -- they seem
13 to be very big and very important to the customers who are
14 implicated by them, those customers requesting line
15 extensions. The information provided by Mr. Goodwin, in
16 his technical statement of March 1st, 2013, in Docket DE
17 08-135, provided some information about these average
18 costs that are being reviewed and are the basis for the
19 new proposed tariff fees for line extensions. And, we can
20 see there that the numbers are relatively small, the
21 absolute number of customers. I think it's probable --
22 I'm not an engineer, but I think it's pretty safe to
23 assume that the single-phase installations are most likely
24 the residential installations. And, the numbers provided

1 there show that there's about 118 of these line extensions
2 in 2010, there's 170 of them in 2011, and 156 in 2012.
3 Those are fairly small numbers, compared to the half
4 million residential accounts that PSNH has. But,
5 nonetheless, those customers are greatly impacted by these
6 costs. So, I don't think we should minimize the
7 seriousness of the issues just on the numbers of customers
8 that are impacted.

9 I think that the one question, which the
10 Commission raised, in which the -- in fact, Staff's
11 recommendation of Mr. Mullen, which he provided to the
12 Commission on November 22nd of 2013, he suggested that the
13 Company should consider implementation of an average per
14 foot cost with and without tree trimming. And, this is an
15 area which you explored a bit with the Company this
16 morning. I think that this is an idea which bears further
17 exploration, because I think that, as I say, while there's
18 not a huge number of customers impacted, I imagine that
19 when either the Commission's Consumer Affairs Division or
20 when our office gets calls from customers about these
21 issues, line extension cost issues, this is an area where
22 they would likely have significant complaints, if they
23 feel that they're being assessed costs for tree trimming,
24 when, in fact, they have very minimal tree trimming, or

1 when, in fact, they have a chainsaw themselves and can cut
2 down a tree that may be in the way.

3 Perhaps the Company has the opportunity
4 to provide some additional information. They have
5 indicated that the average cost per foot for tree trimming
6 expenses was \$3.13, but we really don't know what the
7 variability of those costs is. For instance, we don't
8 know how many of these line extension projects have zero
9 tree trimming costs, in arriving at this average cost per
10 foot.

11 So, we would certainly support the
12 further exploration of this idea, of trying to have an
13 opportunity for customers to reduce their line extension
14 costs by perhaps offering a cost that does not include
15 tree trimming expenses. Other than that, I don't think I
16 have any magic silver bullet proposals for what different
17 methodologies might be appropriate, without further
18 exploration of other policies in other jurisdictions in
19 how they do things. There may be relatively efficient
20 ways of doing that, by contacting partners, either NASUCA
21 or NARUC partners, to evaluate methodologies that are used
22 in other jurisdictions that might provide some useful
23 input to try to figure out an appropriate solution going
24 forward.

1 And, I think that's all I have at the
2 moment. Thank you.

3 CHAIRMAN IGNATIUS: Thank you very much.
4 Staff, any comments on the four questions or any of the
5 things that have come up so far today?

6 MS. AMIDON: I defer to Mr. Mullen.

7 CHAIRMAN IGNATIUS: Mr. Mullen.

8 MR. MULLEN: Well, on the first
9 question, about "whether customers experience any savings
10 engaging the services of an independent contractor", I'm
11 not aware that Staff has any firsthand knowledge about
12 that. So, I can't really address that one. On the tree
13 trimming, and as Mr. Eckberg mentioned, in my
14 recommendation in November, I suggested that PSNH consider
15 implementing per foot costs with and without tree
16 trimming. I was just taking a look again at -- I have
17 information for all of the 506 line extensions that were
18 done over the three-year period, of which 241 of them were
19 single-phase overhead. And, as I look at the information
20 that I have for those three years, I'd say roughly 80-85
21 percent of them have some tree trimming costs associated
22 with them. And, in terms of the variability, the numbers
23 are all over the map, and depending on, you know, the
24 particulars of a particular site.

1 So, while I can certainly understand the
2 simplicity of having a one-size-fits-all rate, and that is
3 something that we supported in the Settlement Agreement,
4 and continue to support, and we support the Settlement
5 Agreement, I think that, obviously, the fairest way to do
6 it to anybody would be to just charge them exactly what it
7 costs for that particular site. Now, that gets into the
8 administration of all this that PSNH was discussing
9 before, which is, when going to this type of more of a
10 streamlined policy in the 08-135, that's what we were
11 trying to get away from.

12 I understand PSNH's comments earlier
13 about, "well, what if you just have to take down one
14 limb?" And, where do you draw the line between "well
15 which rate should you get? So, that does add a little bit
16 of a wrinkle to things. I guess, you know, maybe again,
17 trying to explore the option of charging the customers
18 based on just what site-specific costs they had, I
19 suppose, if you did that for tree trimming, then you could
20 say "Well, what about for all the other parts, too?" So,
21 then you start going away from the average rate. You
22 know, it is a double-edged sword. For everything that
23 tries to make it more exact to the customer, it creates
24 more of an administrative burden on the other end. So,

1 we're getting to the balancing that Commissioner Scott was
2 referring to before.

3 I think it's something that maybe, you
4 know, we're certainly willing to talk with the Company and
5 the OCA some more to try and figure out if there's some
6 other ways to approach it. I think it's good to try and
7 do some brainstorming and look at it. And, I think the
8 other big issue is one that the Commission inquired about
9 a bit today was the sharing of costs by those who come on
10 later on. I do know, from anecdotal evidence, that a
11 number of the contacts we've had with customers over the
12 years, since this changed, has been about that part of the
13 policy. Now, is it five years? Is it one year, as
14 Commissioner Scott suggested? Is there some other way to
15 do it? Again, perhaps maybe it's something that, if we
16 sit down and discuss some more, we might be able to come
17 up with some other solutions and maybe looking at some
18 other jurisdictions.

19 There's -- I don't think there's any
20 perfect answer to this. Line extensions are costly. And,
21 you know, any time there's a big cost, and if somebody
22 thinks that there's any inequity in that cost, there's
23 certainly going to be an opportunity for complaint. But
24 part of this ratemaking is an art, and trying to come up

1 with something that works for everybody is, you know, we
2 can certainly have some more discussion about it. I don't
3 have any perfect answers to give you today, though.

4 CHAIRMAN IGNATIUS: Commissioner Scott.

5 CMSR. SCOTT: Thank you. I understand
6 your sentiments. I was just curious, on the tree
7 trimming, to get out of the mode of, "gee, how many limbs
8 and where do you draw the line", all that, is there a
9 value to more of a binary approach? Like a site -- "is
10 your site prepped for foliage, "yes" or "no"?" And, if
11 it's prepped, there's one charge. So, you know, in
12 theory, the utility has to do no tree trimming whatsoever.
13 Or, if it's not pre-prepped, you know, is that a value?
14 And, I guess that's an open question. I understand that,
15 no matter what we do, there's an administrative cost
16 associated. But I would just throw that out as a
17 question. If certainly you or the utility, if they want
18 to answer now, that's fine.

19 MR. MULLEN: Feel free.

20 CHAIRMAN IGNATIUS: Mr. Fossum.

21 MR. FOSSUM: I guess we can talk about
22 it. I guess I would wonder, though, and, you know, I
23 don't know if it's as simple as checking a box. You know,
24 each site presents whatever it presents. And, so, a

1 customer, you know, may check the box and say, you know,
2 "yes, I've got this completely level lot. And, so,
3 there's no tree trimming." But that's the lot that, you
4 know, a foot and a half, you know, we've got to run three
5 poles along it, and a foot and a half under the dirt is
6 ledge. So, yes, you don't have tree trimming, and you've
7 got a nice level, flat lot. But, you know, there's some
8 very heavy-duty work involved in installing some poles
9 nonetheless. So, I understand the concern about "tree
10 trimming", but I guess it's not the only cost. And, so,
11 to have a simple yes/no, on/off for that, you know, if,
12 through discussions, it turns out that that may be the
13 fairest thing to do, then we may do that. But, initially,
14 I don't know that it's that easy to say.

15 MR. NOURSE: And, along with trimming,
16 too, we get into, historically, we get into a lot of
17 opinions of the customer saying "Well, I've trimmed it out
18 good enough, and it meets your standards." And, we, you
19 know, get into the going back and forth actually limb by
20 limb. So, you know, it's, you know, it's 8 feet and 15,
21 no matter whose ruler you're using. So, when our folks do
22 it, we require them to do it to our standards we know, and
23 that we're not going out there and getting into a
24 difference of opinion with the customer, if they had their

1 friend do it, then, we've got to now come in, and they're
2 up against a closing, you know, in a couple of days, and
3 there's several trees that really have to be trimmed for
4 it. So, we've got into those situations, too. Whereas
5 now we include it, we know it's the standards, and we make
6 a commitment to connect you on a date and we stick to
7 that. We save all those back-and-forths. And, it does
8 get into a lot of opinions about what you need to cut and
9 when you don't. And, so, that's kind of taking away some
10 of that back-and-forth.

11 CHAIRMAN IGNATIUS: But you're stuck
12 with that for those people who want to have a private
13 contractor do the work, you have that no matter what,
14 correct?

15 MR. NOURSE: We still do. We come out
16 and say, you know, "unless it's trimmed to our standards,
17 then we're not going to take ownership and connect you."
18 So, yes, there's that risk there. But it's minimized, you
19 know, by saying "is there trimming or no trimming?" I
20 mean, just along the public way, and then out to, you
21 know, a person's private, now you're getting into us doing
22 it on the main road and the contractor doing it on the
23 private. So, you know, I think it would -- it sticks to
24 standards. If it's included, it's just everyone is on the

1 same page and you get less of that.

2 CHAIRMAN IGNATIUS: Mr. Fossum.

3 MR. FOSSUM: I just wanted to note very
4 briefly, in light of the distances that Mr. Nourse just
5 spoken about, is, you know, as the Commission is aware,
6 the 300 rules are currently open. There is an item in
7 there now that had not been previously in there having to
8 do with trimming clearances essentially. And, that's for
9 maintenance trimming, not necessarily the situations we're
10 talking about here, where this is the cost of initial
11 construction. But, if my recollection is accurate, then
12 the standards that he just noted are the same standards
13 that would be in those rules. So, that would be the
14 utility's standard from construction --

15 (Court reporter interruption.)

16 MR. FOSSUM: The same standard from
17 construction, all the way through ownership of any utility
18 line.

19 CHAIRMAN IGNATIUS: Thank you. And, I
20 think, Mr. Mullen, there was a question I wondered if you
21 or Ms. Amidon know. Have you looked at the other electric
22 utilities in New Hampshire to see what their policies are
23 on line extensions?

24 MR. MULLEN: Yes. In some cases, it's

1 been a little bit of a -- a little while. I do know that
2 Liberty Utilities, in their current rate case, that is an
3 issue that is currently under consideration. Are there
4 certain aspects of those, for instance, in terms of a cost
5 per foot? Liberty Utilities has a cost per foot. And, in
6 terms of whether somebody coming on to a previously
7 constructed line extension, I do believe, and there's
8 representatives of Liberty here who can correct me if I'm
9 wrong, but I do believe that there also still contains a
10 five-year type of situation, similar to what we discussed
11 earlier.

12 Unitil has a cost per foot as well.
13 And, I think that they also have a five-year, but my
14 memory is a little foggier on that one.

15 CHAIRMAN IGNATIUS: I know, on the gas
16 side of Liberty, I think it was, just a few weeks ago we
17 were looking at a tariff that had a reallocation after the
18 initial customer caused the extension of the line, similar
19 sort of issues that were raised in that discussion.

20 All right. Any other -- yes,
21 Mr. Eckberg.

22 MR. ECKBERG: Yes. Mr. Mullen mentioned
23 that Liberty Utilities is currently in a rate case, and we
24 are reviewing, they have made proposals, as Mr. Mullen

1 said, about their line extension policies. I do happen to
2 have with me a copy of their proposed changes to their
3 tariffs, which include those line extension policies.
4 And, just for -- just to share several items, which I spot
5 quickly in here, in their Policy Number 1, which would
6 apply to the line extension policies for individual
7 residential customers, there is a statement that says "for
8 instance, no distinction shall be made between line
9 extensions on public ways or private property, except
10 where specifically noted." So, I think that's an issue
11 under discussion here. They also have a statement that
12 says "the customer, at no cost to the Company, shall be
13 responsible for blasting and tree trimming and removal on
14 private property, in accordance with the Company's
15 specifications."

16 So, I'm not sure how the totality of the
17 tree trimming issue is proposed to be dealt with. But it
18 seems to be that the Company is indicating that tree
19 trimming on private property would be the responsibility
20 of the property owner.

21 So, I just thought I'd share those
22 couple observations from those proposed tariffs.

23 CHAIRMAN IGNATIUS: Thank you. Any
24 other final comments anybody wants to make? Anything that

1 we failed to ask that would be helpful in sorting this all
2 out?

3 (No verbal response)

4 CHAIRMAN IGNATIUS: If not, I'd
5 appreciate everyone's willingness to sort of think
6 creatively here. This is something that, for each
7 solution, you then create a new problem, and then you try
8 to solve that problem and you create yet another one. So,
9 it's something we want to continue to look at. And, we
10 will take all of this under advisement and issue something
11 in response at some point.

12 (Laughter.)

13 CHAIRMAN IGNATIUS: I won't even venture
14 a guess at a date, because it will be wrong. So, thank
15 you. We're adjourned.

16 **(Whereupon the hearing was adjourned at**
17 **11:32 a.m.)**

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