

STATE OF NEW HAMPSHIRE

Inter-Department Communication

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AT (OFFICE): NHPUC



FROM: Rich Chagnon
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SUBJECT: DE 19-044, Public Service of New Hampshire d/b/a Eversource Energy

Line Extension Rate Filing, Rates Effective April 1, 2019

TO: Commissioners
Debra Howland, Executive Director

CC: Tom Frantz, Director, Electric Division
Amanda Noonan, Director, Consumer Services and External Affairs
Les Stachow, Assistant Director, Electric Division
Suzanne Amidon, Staff Attorney

Summary

On March 1, 2019, Public Service Company of New Hampshire d/b/a Eversource Energy (Eversource) filed updates to its line extension policy and tariff pages to become effective on April 1, 2019, absent an order, pursuant to Puc 1603.07. Staff has reviewed Eversource's methodology and calculations for the resulting costs per foot for overhead and underground single-phase facilities to be charged to customers during the period April 1, 2019 through March 31, 2020. Staff has determined that the methodology and calculations are consistent with the settlement agreement in Docket No. 08-135 and the resulting charge adjustments are just and reasonable.

Staff recommends approval of this tariff update for an effective date of April 1, 2019.

Background

In the Settlement Agreement approved by the Commission in Order No. 25,046, (November 20, 2009), the Parties agreed to a line extension policy which better aligned costs and revenues related to the provision of service to new customer locations. The Settling Parties agreed to update the methodology to calculate the average cost per foot charges by construction type after the original three-year phase-in of updated costs was

complete. Eversource is required to update the average cost per foot figures annually based on single-phase line extensions completed during the previous three calendar years. Updated cost per-foot amounts are then to become effective on April 1 of each year. On March 1, 2019, Eversource filed updates to its line extension policy and tariff pages to become effective on April 1, 2019. Following the methodology described in the Settlement, Eversource recorded the actual cost of each single-phase line extension that was initiated and completed during the period January 1, 2016 through December 31, 2018.

Eversource included all actual costs associated with single-phase line extension construction, except for the cost of transformers. From this total population of line extensions, the following types of line extensions were eliminated from database: 1) Temporary services; 2) Distributed generation services; 3) Services not associated with new construction (upgrades); 4) Customer built line extensions; 5) Three-phase construction; 6) Combination of overhead and underground construction; 7) More than one service on the project; 8) Footage greater than one mile; 9) Non-standard billing codes; 10) Private work; and 11) Any line extensions where the actual charges were greater than three times the estimate.

Finally, line extension costs for 2016 and 2017 were adjusted to the 2018 level, using the annual average Consumer Price Index, all urban customers, northeast region, all items, not seasonally adjusted, as published by the Bureau of Labor Statistics of the U.S. Department of Labor.

As a result of the updated calculations, the cost per foot for overhead line single-phase extensions will increase \$1.93, from \$25.20 to \$27.13, on April 1, 2019. The cost per foot for single-phase underground line extensions will increase \$0.43, from \$14.93 to \$15.36. Charges for three-phase overhead and underground line extensions will continue to be based on customer-specific job requirements.

Eversource's increase in the overhead single-phase average cost per foot since in 2016 is primarily due to changes in business practices implemented for reliability improvements which result in higher material and/or installation costs. For example, covered wire is utilized in all new overhead installations. Covered wire has a higher material cost, and the installation of covered wire requires additional time (increased labor, vehicle and traffic control costs). Eversource has also transitioned from a class 3 standard pole size to a class 2 standard pole size. The more robust class 2 poles have a higher material cost. In addition, Eversource has transitioned from completely self-protected (CSP) transformers to conventional style transformers. The installation and cost of protection equipment is included in the actual cost of the line extensions versus being capitalized as part of the cost of the CSP transformers used in previous years.

Analysis and Recommendation

Staff has reviewed Eversource's methodology and revised calculations for the resulting costs per foot for single-phase overhead and underground facilities to be charged to

customers during the period April 1, 2019 through March 31, 2020. Staff confirms that the methodology and calculations are consistent with the settlement agreement in Docket No. 08-135 and the resulting charge adjustments are just and reasonable.

Staff recommends approval of this tariff update for an effective date of April 1, 2019.

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