

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

IR 14-190

**PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE D/B/A EVERSOURCE
ENERGY, UNITIL ENERGY SYSTEMS, INC., AND LIBERTY UTILITIES
(GRANITE STATE ELECTRIC) CORP.**

Investigation into Line Extension Policies

**Order Directing Eversource to Adopt Cost-Allocation Policy for Line Extensions and
Directing Staff to Investigate Liberty's Underground Line Extension Policy**

O R D E R N O. 25,926

July 26, 2016

In this Order, the Commission directs Eversource to adopt a cost allocation policy for new single phase residential line extensions along public ways. Pursuant to the new policy, costs of a line extension will be allocated between and among the initial customer who paid for the construction of the line and subsequent customers who take service from the same line extension within five years of construction. This change will make Eversource's cost allocation policy consistent with those of Unitil and Liberty. The Commission directs Eversource to adopt the new policy for line extensions along public ways that are constructed on and after September 1, 2016. In addition, this Order directs Staff to investigate Liberty's underground line extension policy in the context of its current distribution rate case.

I. PROCEDURAL BACKGROUND

On July 18, 2014, the Commission issued an order of notice to open this investigation of the policies of each New Hampshire electric distribution utility regarding line extensions for new residential housing. The electric distribution utilities are Public Service Company of New Hampshire d/b/a Eversource Energy (Eversource), Unitil Energy Systems, Inc. (Unitil), and Liberty Utilities (Granite State Electric) Corp. (Liberty).

Eversource's current line extension policy dates back to 2009. On November 20 of that year, the Commission approved a new line extension tariff for Eversource. *See* Order No. 25,046. In accordance with the tariff, Eversource currently calculates the cost of single phase residential line extensions based on the average per-foot cost for its overhead and underground construction for the immediate past three years. Once the cost is calculated, Eversource requires the cost of the extension to be paid in full by the customer before construction begins.

Under its pre-2009 tariff, Eversource provided a residential line extension of 300 feet at no cost to the customer. With the implementation of the 2009 tariff, Eversource reduced the portion of the extension provided at no cost to the customer to the length of a standard service drop (typically 125 feet). The 2009 tariff also eliminated a provision requiring the cost allocation of the cost of a line extension between and among the initial customer and subsequent customers who take service from the same line within five years of the construction. Eversource eliminated the cost allocation provision because administrative costs were incurred with keeping records and maintaining payment information when allocating costs to new customers.

Liberty adopted a flat per-foot cost for overhead line extensions, similar to Eversource's pre-2009 tariff, with the approval of a settlement agreement in its 2013 distribution rate case. *See* Order No. 25,638 (March 17, 2014). Liberty provides up to 300 feet of overhead line extensions at no cost to the customer, as well as the five-year cost allocation procedure when new customers take service on the line. In addition, Liberty requires that all line extensions under \$3,000 be paid in advance of construction, and allows costs in excess of \$3,000 to be paid by the customer over a period of five years. Finally, Liberty, like its predecessor National Grid, does not construct, maintain or own underground line extensions on private property. The

customer is responsible for contracting and paying for the full extension, as well as any future maintenance and repair.

Unitil assesses line extension costs on a flat per-foot basis, provides 300 feet of the extension at no cost to the customer, and provides for cost allocation when new customers take service from an existing line extension within five years of the construction of such extension.

Unitil did not file testimony in this proceeding.

Regarding Eversource's elimination of the five-year cost allocation provision, the Commission expressed concern that such elimination would allow subsequent customers taking service from the same line to benefit from the line extension paid for in its entirety by the initial customers. *See* Order No. 25,637 (March 17, 2014) at 5. The Commission included the cost allocation issue as part of its investigation.

Eversource, Liberty, and Unitil were named mandatory parties to the investigation in the order of notice issued on July 18, 2014. The Office of Consumer Advocate (OCA) filed a letter of participation pursuant to RSA 363:28 on August 7, 2014. Staff and the parties engaged in discovery and met in technical sessions. On April 2, 2015, Staff filed its recommendation. Eversource and Liberty filed testimony in response to Staff's recommendation on June 19, 2015.

On April 8, 2016, Staff made a filing that restated its original four recommendations, and a proposed schedule for implementation. Eversource provided comments on Staff's recommendation on April 15. Based on additional inquiry with Eversource, Staff filed a memorandum on May 5, recommending that Eversource commence employment of the cost allocation methodology with respect to line extensions constructed on and after July 1, 2016.

II. POSITIONS OF THE PARTIES AND STAFF

A. Staff's Recommendation

Staff's April 2, 2015, filing made four recommendations as follows:

1. For new line extensions, each distribution utility shall provide one pole and a service drop at no cost to customers (approximately 300 feet). This recommendation applies to both overhead and underground extensions. For Eversource, this provision will result in the application of the per foot cost to all but the first 300 feet of the extension.
2. For projects that cost up to \$3000, the customer shall pay the costs prior to construction. For projects that cost more than \$3000, customers can choose to pay the costs over a period of time not to exceed five years. The companies may charge interest on any unpaid amounts equal to the rate applied to customer deposits.
3. Eversource should begin to allocate, and Unitil and Liberty should continue to allocate, costs between and among the initial customers and any subsequent customer that takes service from the initial line extension in the five-year period following the construction of the line extension. The first customer shall be responsible for notifying the company when a new customer takes service from the line extension. Absent such notification from the first customer, the utility shall not be required to allocate the cost of the extension to subsequent customers.
4. Liberty should be required to take ownership of and maintain line extensions for all the new residential underground service lines, consistent with the practice of Eversource and Unitil.

With respect to implementation, Staff recommended that the Commission require Liberty to address the issue on ownership of underground single phase residential line extensions in its 2016 distribution rate case. Liberty filed a petition for a distribution revenue increase on April 29, 2016. In its filing, Liberty did not propose a change to its current policy requiring the customer to construct, own, and maintain underground single phase residential line extensions.

Regarding Eversource, Staff recommended that Eversource submit changes to its line extension policy to incorporate Staff's recommendation to provide a pole and service drop up to 300 feet at no cost to customers, and the provision to allow customers to have up to five years to pay for line extensions, in the context of its next distribution rate case. Staff said that Eversource agreed with this recommendation. *See* Staff Memo of April 8, 2016. As for the change to

cost allocation, Staff recommended that Eversource begin to implement the cost allocation policy for all line extensions constructed on and after July 1, 2016. *See* Staff Memo of May 5, 2016.

B. Eversource

As noted above, Eversource agreed to Staff's recommendation to amend its line extension tariff with respect to providing a pole and service drop up to 300 feet at no cost to customers, and to allow customers to pay for new single phase residential line extensions that cost more than \$3000 over a period of five years in its next distribution rate case.

Eversource expressed concern regarding the recommendation that it begin reallocating the costs of a line extension between the initial requestor of the extension, and any new customers who make use of that extension, for a period of five years following the construction of the line extension. Eversource agreed that it should be the responsibility of the initial customer to notify Eversource if any new customers make use of the extension in that five-year period. Eversource said it could not implement the change on July 1, 2016, because Eversource is in the process of designing and building customer-requested line extensions throughout its service territory. Eversource proposed that the effective date of the cost allocation provision should be January 1, 2017.

C. Liberty

Liberty's principal concern was Staff's recommendation that Liberty take ownership of underground service between the Company's facilities and the meter. Under the current policy, the customer is responsible for providing documentation for easements, owning and maintaining foundations, cable, conduit, etc., and installing, owning, and maintaining all service conduit and cable from the Company's equipment. According to Liberty, this policy was in place under the Company's prior ownership by National Grid and dates back many years.

Liberty said that changing the policy at this point would require significant changes to the Company's operations and procedures, and to its mapping system. Liberty estimated that the costs of adopting Staff's recommendation would result in incremental costs of one additional full time position at a cost of \$85,000, plus \$25,000 for additional stock of material per year, \$80,000 in trench inspector costs, and the design of underground services. Liberty said that the mark-out identification of underground facilities adequately addresses any safety issues regarding underground service extensions.

Finally, Liberty said it should be allowed to continue with its policy regarding underground service extensions because the effect of the policy aligns costs with those who incur the services. In other words, the customers who choose to install the underground service bear all of the costs to install and maintain the service. According to Liberty, all of its customers have the benefit of overall lower cost of service because they are not subsidizing the costs to install and maintain residential underground services. Based on the foregoing, Liberty said that its current policy should remain in place.

D. Unitil

Unitil did not file testimony. Based on the information contained in Staff's letter of recommendation dated April 2, 2015, Unitil's line extension policy is consistent with Staff's recommendation.

III. COMMISSION ANALYSIS

Pursuant to RSA 374:2 and RSA 378:7, charges by a public utility for any services shall be just and reasonable. Installation of line extensions to residential customers by electric distribution utilities is such a service. We have reviewed Staff's recommendation and the other filings in this docket, and have determined that Staff's recommendations are in the public interest and will result in just and reasonable rates.

In its April 15 letter, Eversource said it will include in its next distribution rate case the following provisions with respect to new residential, single-phase line extensions: (1) installation of a pole and a service drop of up to 300 feet at no cost to the customer; and (2) costs of construction of a single-phase residential line extension in excess of \$3000 may be paid by the customer over a period of time not to exceed 5 years. Eversource's letter also stated that Eversource did not disagree with Staff's recommendation to allow cost allocation for line extensions between the initial customer and subsequent customers who take service on that same line extension within five years, but would prefer to implement it commencing January 1, 2017, to provide a clear demarcation for Eversource and its customers of the change in policy. We are not convinced the change in the cost allocation policy will be any clearer to Eversource or its customers if it is implemented on January 1, 2017, rather than September 1, 2016. Accordingly, we find that it is appropriate to require Eversource to implement the cost allocation of costs for line extensions installed on and after September 1, 2016. We direct Eversource to inform its customers who have requested, and are waiting for, line extensions about the new cost allocation policy and that it will be in effect for line extensions installed on and after September 1, 2016.

Finally, with respect to Liberty, we direct Staff and Liberty to explore further the issue of ownership of underground line extensions in Liberty's current distribution rate case, Docket DE 16-383.

Based upon the foregoing, it is hereby

ORDERED, that Eversource shall implement cost allocation of line extensions as described herein commencing with construction done on and after September 1, 2016; and it is

FURTHER ORDERED, that, in its next distribution rate case, Eversource shall modify its line extension policy to allow customers to pay costs in excess of \$3000 over a period of five

years, and be allowed to charge interest on any unpaid amounts equal to the rate applied to customer deposits; and it is

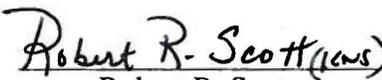
FURTHER ORDERED, that, in its next distribution rate case, Eversource shall amend its line extension tariff to include one pole and a service drop, up to 300 feet, at no cost to the customer; and it is

FURTHER ORDERED, Staff shall work with Liberty in Liberty's 2016 distribution rate case, currently under review, on the issue of the responsibility for owning, constructing, and maintaining single-phase underground extensions to residential homes.

By order of the Public Utilities Commission of New Hampshire this twenty-sixth day of July, 2016.



Martin P. Honigberg
Chairman

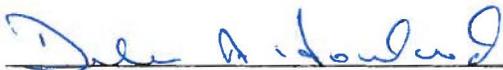


Robert R. Scott
Commissioner



Kathryn M. Bailey
Commissioner

Attested by:



Debra A. Howland
Executive Director