STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2000-78

September 19, 2000

BANGOR HYDRO-ELECTRIC COMPANY
Revision to Terms and Conditions to Change Pricing Structure Applicable to Line Extensions and to Make Other Changes for Textual Clarity

FURTHER AMENDED ORDER APPROVING REVISIONS TO TERMS AND CONDITIONS FOR LINE EXTENSIONS; ORDER APPROVING STIPULATION

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

In this Order we approve revisions to the terms and conditions of Bangor Hydro-Electric Company (Bangor Hydro or BHE) that govern line extensions and related matters.

The proposed revisions address two major areas. First, the definition of "average cost" is revised. Under BHE's terms and conditions, the "average cost" per foot governs the amount that customers must pay to BHE for a line extension either by way of a contribution in aid of construction or through monthly payments. Presently, "average cost" includes the average costs of tree trimming (which includes tree removal) and ledge removal for all line extensions, whether such work is actually performed or not. Under the revision, those costs would be excluded from "average cost" and charged separately when such work is actually performed. BHE proposes that actual costs of trimming and ledge work for the extension will be added to the costs for that extension, but, for the purpose of allocating line extension costs among the customers served by the line extension, the ledge and trimming costs will be averaged over the entire length of the line extension. In support of the proposed change, BHE states:

> The Company's current tariff states a set cost per-foot for any line extension irrespective of the degree of ledge removal and tree trimming of vegetation that will be needed at the specific site. In BHE's experience, the actual cost of providing line extensions can vary greatly due to the presence or absence of ledge and vegetation in the path of the line. However, the cost of dealing with ledge and/or trim has been "rolled in" to the Company's existing per-foot rate, which is based on the *average* cost of line extensions.
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> As a result of this situation, customers generally elect to have BHE construct the line extension (at the Company's average-cost-based rate) when significant amounts of ledge and/or trim are present, but tend to engage private contractors when the site has little or no ledge and trim issues. As a result, BHE tends to be asked to construct line

> extensions for a price that is below its actual cost of construction; however, BHE is not asked to construct line extensions in situations where its price exceeds the actual cost of construction.
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> The present filing addresses this situation by pricing line extensions based on BHE's average cost of construction *exclusive of ledge and trim-related costs*. Ledge and trim costs will be assessed separately and included as an add-on in the overall cost of the line. (emphasis in original)

Second, the Company has proposed changes in the average cost per foot. The prices contained in the current terms and conditions were based on 1988 historic construction costs and were put into effect in 1990. The proposed revised prices are based on 1998 historic construction costs and therefore reflect 10 years of cost increases. The price changes also reflect the fact that in 1990, the Company normally installed 35-foot poles; presently, it normally installs 40-foot poles. The current and revised "average costs" are not directly comparable because of the exclusion of ledge and trimming work from the new average cost. The new average cost per foot (which excludes tree trimming and ledge work costs) is $3.90 per foot for single-phase line extensions and $8.01 for three-phase line extensions. The old average cost (which included tree trimming and ledge work) is $3.93 for single-phase and $6.23 for three-phase line extensions. The Commission Staff has reviewed BHE's supporting cost materials and finds that the increases are reasonable. The Company asserts, and we agree, that any increased revenues as a result of these price changes will have minimal effect on its overall revenues.

BHE filed the proposed revisions on January 31, 2000, with a proposed effective date of March 1, 2000. On February 28, 2000, the Commission suspended the proposed revisions for investigation. Notice of the proposed changes was published by the Commission in the Bangor Daily News on March 13, 2000 and March 14, 2000. The Public Advocate filed a Petition to Intervene in this case on February 18, 2000. That petition is granted. No other petitions to intervene were filed.

In response to suggestions and questions raised by the Commission Staff concerning the availability of registered professional engineers employed by the Company for the engineering of private lines, BHE filed a rate for that service in a tariff revision filed on April 5, 2000. It filed a further revision on June 26, 2000, stating that the Company would provide such services when its registered professional engineers were available.

On June 13, 2000, in response to certain concerns raised by the Public Advocate, the Company and the Public Advocate filed a Stipulation (Attachment 1 to this Order) dealing with the filing of line extension contracts in registries of deeds and the release of those filings, and making clear that BHE does not require new customers to satisfy unpaid balances left by prior line extension customers. Although not

specifically addressed in the Stipulation, a complementary provision states that new customers on a line extension must execute a new contract to cover unexpired balances of a prior customer's agreement.

We find that the two proposed major changes Bangor Hydro's line extension policy described above are reasonable. We also find reasonable the changes to the original filing contained in terms and conditions pages filed pursuant to suggestions by Staff and pursuant to the Stipulation with the Public Advocate.

Accordingly, we

1. FIND the proposed changes to Bangor Hydro-Electric Company's line extension policies to be just and reasonable;

2. ORDER that the suspension of the terms and conditions filed by Bangor Hydro-Electric Company concerning its line extension policy, filed on January 31, 2000, be lifted. The following terms and conditions pages shall all be allowed to go into effect, with an effective date of July 1, 2000; except as noted all approved pages were filed on January 31, 2000:

Page 5, Tenth Revision, replacing Page 5, Ninth Revision
Page 5A, Fourth Revision, replacing Page 5, Third Revision
Page 5B, First Revision, replacing Page 5B, Original (filed on April 5, 2000)
Page 5C, First Revision, replacing Page 5C, Original (filed on June 28, 2000)
Page 7, Eight Revision, replacing Page 7, Seventh Revision (filed on April 5, 2000)
Page 7A, Second Revision, replacing Page 7A, First Revision
Page 7B, First Revision, replacing Page 7B, Original (filed on April 5, 2000)
Page 7C, First Revision, replacing Page 7C, Original
Page 7D, First Revision, replacing Page 7D, Original
Page 7E, First Revision, replacing page 7E, Original (filed on June 13, 2000)
Page 7F, First Revision, replacing page 7F, Original
Page 7G, First Revision, replacing page 7G, Original
Page 7H, First Revision, replacing page 7H, Original
Page 7I, Second Revision, replacing page 7I, First Revision (filed on August 30, 2000)

Page 7J, First Revision, replacing page 7J, Original
Page 7K, First Revision, replacing page 7K, Original[1]
Page 9, First Revision, replacing page 9, Original

3. FIND reasonable and approve the Stipulation between Bangor Hydro-Electric Company and the Public Advocate filed on June 13, 2000.

Dated at Augusta, Maine, this 19th day of September, 2000.

BY ORDER OF THE COMMISSION

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Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
Nugent
Diamond

[1]The First Revision to page 7K was included in the original filing, but inadvertently omitted from the list of pages to be approved in the Stipulation. Both BHE and the Public Advocate agree that it should be approved. Because all other pages were attached to the original Order, only page 7K is attached to this Amended Order.

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.

2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 30 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Civil Procedure, Rule 73, et seq.

3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.