

Residential Ratepayers Advisory Board Meeting Minutes

March 5, 2007 meeting

The Residential Ratepayers Advisory Board (Board) met on March 5, 2007, in the OCA office.

Present for the Board:

Otis Perry, Vice Chair
Kenneth Mailloux
Richard Russman
Gloria Seldin
Louis Pare

Present for the OCA:

Meredith Hatfield
Kenneth Traum
Rorie Hollenberg
Steve Merrill

Mr. Perry chaired the meeting. He opened the meeting at 2:04 PM.

1. **Minutes**

Before the Board for review and approval were the January and February meeting minutes. Mr. Perry commented that there were no comments of Board members in these minutes and that Board members asked questions of the speakers. Mr. Russman moved to approve the minutes as drafted. Ms. Seldin seconded, and the minutes were approved by unanimous vote.

2. **Verizon/FairPoint Proposed Franchise Transfer**

Ms. Hatfield distributed to the Board the procedural schedule for the docket, and list of issue groups under which the Commission is organizing the case.

Action item – Mr. Perry asked that these documents also be sent to Larry Kelly, Larry Ross and Clara Monier.

Ms. Seldin asked if there would be statewide public hearings. Ms. Hatfield said that the Unions have requested them in locations across the state, including Nashua, Manchester, Concord, Keene, and Berlin. Mr. Perry suggested that the OCA file a letter reiterating the request for public hearings on behalf of residential ratepayers. Mr. Mailloux moved the Board to vote that the OCA file such a letter. Ms. Seldin seconded the motion. The Board voted unanimously in favor (Mr. Russman was absent).

Action item – The OCA should file a letter with the PUC, requesting public hearings in various locations around the state.

Next, Ms. Hatfield discussed the pending legislation (HB361) that would give the PUC the authority to make a special assessment on behalf of the OCA to fund the hiring of consultants in the FairPoint case. Mr. Perry asked about the status of this bill. Ms. Hatfield explained that the House Science, Technology and Energy Committee, on March 6, will consider the bill. She said that it may be over a month, if all goes well, for the bill to complete the legislative process. Mr. Perry asked which companies would be subject to the assessment – Verizon, FairPoint or all the telecommunications companies. Ms. Hatfield said that was a detail to be worked out with the companies and the PUC. Mr. Traum stated that the PUC has the authority to make special assessments now, and will be hiring its own consultant in this case.

Mr. Perry asked if the Board would have an opportunity to meet with representatives of FairPoint. He asked the OCA to arrange this meeting, for the Board's information purposes.

Action item – OCA will arrange a meeting between the Board and representatives of FairPoint for the April or May meeting.

Mr. Perry asked about Verizon's level of investment in the state. Mr. Merrill stated that Verizon has reduced its investment in plant and now has a nearly fully depreciated plant. Ms. Seldin asked if FairPoint has the ability to successfully undertake this transaction. Mr. Merrill stated that this would be a central issue in the case.

Mr. Perry asked about pending dockets involving Verizon. Ms. Hatfield stated that there are four (Quality of Service, AFOR, Poles, and Wholesale issues), and that the OCA and New Hampshire Legal Assistance, through Alan Linder, asked the PUC to take administrative notice of those dockets and asked that the issues in those dockets be resolved in this docket.

Mr. Traum stated that in addition to the approval of the NH PUC, the Maine PUC and the Vermont Public Service Board both need to approve the transaction. The FCC will also conduct a review of the transaction, although that review may be less detailed than the states' review.

Mr. Pare asked about FairPoint's ability to undertake the transaction. Mr. Traum stated that, with the debt that FairPoint will assume in the proposed transaction, it will fall below investment grade.

Mr. Perry asked about Verizon's exemption from municipal property taxes and whether that issue will be resolved in this docket. Mr. Traum said that a number of municipalities have intervened in the case and are expected to raise that issue, among others.

Ms. Seldin expressed concern about Verizon's employees and the impact of the transaction on them. Mr. Merrill stated that Verizon capped pensions for management approximately one year ago. In addition, FairPoint has made assurances that the terms of the unions employees' contracts will be honored, including existing pensions.

3. Updates

a.) Legislative Update

Ms. Hatfield discussed SB 140, which would authorize PSNH to own or construct renewable generation assets in New Hampshire. She said that Unitil, which has opposed similar legislation in the past, has asked for comparable authority (i.e., long-term contracts or ownership of generation) in order to protect its default customers from volatility in market prices.

Ms. Seldin suggested that it would be beneficial to present a history and overview of restructuring issues to the House Democratic Caucus. Mr. Perry stated that the Board has not yet come up with a formal position. Ms. Hatfield stated that she sensed, from the last meeting, that the Board supported the concept in principal, because of the benefits of renewable energy, and based on the idea of allowing the utilities to own generation or enter into long-term contracts to serve their captive load that does not have a meaningful choice (i.e. residential and small business). However, she believes that the OCA should caution the legislature that changes to the structure of the restructured electric industry require careful consideration of the many possible impacts, and should not be made in haste. She stated that both new plants and long-term contracts raise the risk of stranded costs, which must be addressed. Mr. Traum stated that like New Hampshire, Vermont and Connecticut are currently exploring ideas for new generation sources and the role for utilities. The hearing for the bill is March 20th.

Mr. Perry asked about HB 361, “Relative to technical changes in certain laws governing public utilities.” Ms. Hatfield stated that this bill is intended as a housekeeping measure, to clean up some technical problems in the PUC’s statutes. She stated that this is the bill that has the amendment to provide the authority for a special assessment for the OCA in the FairPoint case.

Ms. Seldin asked about HB 866, “Relative to right-to-know application to public utilities commission matters.” Ms. Hatfield explained that one purpose of this bill was to enable the Commissioners to meet for the purpose of accomplishing administrative matters, not related to dockets and the like, without requiring public notice and minutes of the meeting.

Ms. Hatfield distributed a copy of the Executive Summary of the study conducted by Ross Gittell, Ph.D., of the University of New Hampshire, on the Economic Impact of a New Hampshire Renewable Portfolio Standard. This study relates to HB 873. Ms. Hatfield directed the Board to page 6, and the “Maximum retail costs” section, which projects a \$5.73 maximum increase in monthly electric costs for average residential ratepayers. Ms. Hatfield said that while this is the worst case scenario for increases in 2025, it is significant for residential customers. In addition, the work required of the PUC (and by extension, the OCA) will be significant if this bill is passed. One of the recommendations of the UNH study is the creation of an SBC for renewable energy. A hearing on the bill is scheduled for Thursday, March 8. The UNH study will be presented to the Committee the following day. Ms. Hatfield stated that she had the sense that the Board supported this bill in concept, but that we need to watch the potential costs to ratepayers closely. Mr. Russman asked if there was anyway to spread the costs of an RPS to oil and other fuel suppliers and customers. Ms. Hatfield said that because they are not regulated utilities, that can’t be done through the PUC and would require legislation.

Ms. Hatfield stated that the Energy Policy Commission is being reconvened, as its final report is

due in December 2007. Mr. Russman asked about the Commission's progress. Ms. Hatfield stated that she expects the Commission to make progress on a few of the many issues it was charged with addressing, but that it will be a challenge to resolve the debate about whether or not changes should be made to the present structure of the electric industry.

b.) OCA '08-'09 Budget Request

Ms. Hatfield directed the Board to the attachment, which reflects the portion of the Governor's budget related to the OCA. She stated that the Governor approved most of the OCA's requests. Mr. Perry asked about the allocation of the OCA's budget through the PUC's assessment.

4. **Outreach**

Ms. Hatfield mentioned a conversation that she had with Ms. Seldin concerning outreach to the Board's constituencies. She asked if the information that the OCA provides the Board assists its members in communicating with their constituents, and if there is more we can be doing.

Mr. Mailloux shares information with Granite State Independent Living and the State Independent Living Council. He finds the information he receives from the OCA useful, and he tries to be a conduit between the two groups.

Mr. Russman brings his environmental background to this Board, and brings pertinent information back to environmental groups. He suggested that Ms. Hatfield make a presentation at a meeting of environmental groups that meet regularly on policy issues.

Mr. Pare uses the AARP as a resource to represent senior interests. He also brings information back to the Grafton County Council on Aging, which is one of the most active council in the state. He said that if he had the opportunity to do a presentation on utility issues, he would use the OCA as a resource. The only related calls he received recently was when the New Hampshire Electric Cooperative raised its rates 25%.

Ms. Seldin stated that her phone has been busy because of the Verizon/FairPoint case. She stated that people have questions and are not sure where to go with them. She urged the OCA to speak with the legislative caucuses, as they represent a wide range of people.

Mr. Perry stated that his constituents, residents of public housing, are not easy to organize, and their relationship with rates is not easy to define. For some residents, the cost of electricity is included in their rent. For others, they receive assistance to pay for electricity. Most public housing residents have minimal telephone services. He stated that he tries to get information to residents through newsletters and with the assistance of the local Community Action Agencies. Mr. Perry stated that the biggest issue for public housing residents is reliable, affordable telephone services.

In response to a question from Ms. Seldin about the impact of increases in Social Security benefits on a public housing resident, Mr. Perry provided some information about public housing benefits and how they are adjusted for changes in utility rates.

Mr. Russman asked about the removal of public payphones, and whether that would be an issue in the FairPoint case. Mr. Traum said that the issue has been raised by NH Legal Assistance, and mentioned the authority of the PUC to create public interest payphones. Mr. Perry stated that, when he worked for the housing authority, they removed a public payphone because it was not being used. He commented that research suggested that only teenagers and drug dealers were using payphones and now, with cellular telephones, they no longer use them.

Ms. Hatfield expressed willingness to do additional outreach with Board members, and that the OCA is always looking for opportunities to encourage others to become involved at the PUC on important issues.

5. **OCA Activity Update:**

The Board briefly reviewed the Activity Update.

Mr. Traum asked Mr. Mailloux if he was a TDS customer and whether he felt like he had competitive choices for telephone services. Mr. Mailloux said that he is a customer, and that he doesn't feel as though he has competitive choices. He can not get cable, or a good cellular signal. Mr. Traum informed the Board that TDS has filed a petition for an alternative form of regulation (AFOR) and contends that its customers have competitive choices.

Mr. Perry asked about DE 06-028, the PSNH distribution rate case, and the difference in the return recommended by Staff, and that recommended by OCA. Mr. Traum responded that the difference amounted to a few hundred thousand dollars in a case where transmission and distribution revenues are in the hundreds of millions. .

Ms. Hollenberg discussed the filing by Union Telephone, the hearing before the PUC, and the present status of the case.

Ms. Hatfield stated that the eminent domain proceeding involving the Pennichuck Water Works is still pending. The Commission has scheduled a status conference in May.

Mr. Traum provided an update on the Keyspan/National Grid merger case. He stated that the OCA is working with Staff to develop a counter proposal to the companies. He stated that the counter proposal will include a "most-favored-nations" clause, which will enable New Hampshire customers of Keyspan and National Grid to receive the transaction on the better of the terms negotiated in New Hampshire and New York. Mr. Traum stated the New York Public Utilities Commission Staff has recommended that the NY PUC reject the merger, and, in the alternative, also proposed a 90%/10% sharing of benefits of the merger, with customers receiving 90% of the benefits for several years and then 100% thereafter. The proposal in New Hampshire was 50%/50%, so following New York could provide significant benefits.

6. **Other**

Ms. Hatfield passed out brochures for the Groveton Renewable Energy Park for the Board's information.

7. **Next Meeting**

The next Board meeting was scheduled for Monday, April 2nd, at 2:00 pm, at the OCA office.

Mr. Mailloux moved to adjourn the meeting and Mr. Russman seconded. The meeting adjourned at 3:38 pm.