

Residential Advisory Board Meeting
August 6, 2007

Present for the Board were:

Lawrence Kelly, Chair
Otis E. Perry, Vice Chair
Gloria Seldin
Dwayne Wrightsman
Louis E. Pare
Kenneth A. Mailloux

Present for the OCA were:

Meredith A. Hatfield
Kenneth E. Traum
Rorie E.P. Hollenberg
Christina Martin
Stephen E. Eckberg

Mr. Kelly declared a quorum present and the meeting began at 2:07 pm.

1. Stephen Eckberg – New OCA Employee

Ms. Hatfield introduced Stephen Eckberg as the OCA's new utility analyst, and briefly discussed his background, including his work with the Electric Assistance Program. Mr. Kelly said that he has known Mr. Eckberg through his good work with the EAP. Mr. Eckberg then elaborated on his work experience. The Board introduced themselves to Mr. Eckberg.

2. Review Minutes of June 18, 2007 - Tabled

Ms. Hatfield apologized to the board for not circulating the DRAFT board minutes for last month's meeting. The Board tabled the draft June minutes until the next meeting.

3. Brian Lamy

Ms. Hatfield stated that she tried to reach Mr. Lamy, who had asked to have time on the Board's agenda, but did not hear back from him. Mr. Perry asked what specific issue Mr. Lamy wanted to present to the Board. Ms. Hatfield explained that she believes his main concern relates to PSNH and its service to Bedford, including recent electrical fires in Bedford. Ms. Hatfield also indicated that Mr. Lamy may bring one or more members of the Bedford town electric committee with him. Chairman Kelly asked if Mr. Lamy knew about the process for the PUC Pilot Program for electric reliability. Ms. Hollenberg responded that Mr. Lamy was involved in the Pilot Program docket. Ms. Hatfield stated that although the PUC has selected a consultant for the Pilot Program, she does not believe that the process has been started.

4. FairPoint/Verizon Case

Ms. Hatfield handed out two press articles that included excerpts from the testimony filed on behalf of the OCA in this case.

Mr. Perry asked about the format of the testimony, more specifically who asked the questions written and answered in the testimony. Ms. Hollenberg responded that the questions asked are those of the OCA. Mr. Traum indicated that the Commissioners, as well as the other parties, will have the opportunity to ask their own questions at the hearing.

Mr. Perry asked if the hearing would be public. Ms. Hatfield indicated that portions of the hearing will be public and portions of the hearing, during which the Commission hears confidential testimony or receives confidential evidence, will not be public.

Mr. Perry asked who “Spinco” is. Ms. Hollenberg stated that it is a subsidiary formed by Verizon Communications for the purpose of holding/owning the landline assets of Verizon NE prior to their acquisition by FairPoint.

Mr. Wrightsman asked whether, if one state Commission denies the sale, the companies will not proceed with the transaction. Ms. Hatfield and Ms. Hollenberg stated that was their understanding. Ms. Hollenberg also stated one or both of the companies have made such representations.

Mr. Pare asked if the three state Commissions are working together. Ms. Hatfield said not to her knowledge and reminded the Board that the laws in each state are different. Ms. Hatfield mentioned that the OCA had contact with its counterparts in Maine and Vermont.

Ms. Seldin asked what will happen if this transaction does not go through, will Verizon continue to serve its customers? Ms. Hatfield responded that Verizon continues to remain responsible for serving its customers until it receives Commission approval not to. Mr. Perry expressed a concern about Verizon remaining the utility. Ms. Hatfield explained to the board that Susan Baldwin’s testimony raises issues with Verizon and specifically states that, if the deal does not go through, the Commission should address various areas of concern about Verizon’s service.

Mr. Perry inquired about the possibility that one state requires stricter conditions for approval of the transaction. Mr. Traum indicated we will seek a “most favored nations” clause to address that possibility, which seeks to ensure that each state receives equal treatment with the others.

Mr. Perry asked about the involvement of the FCC and whether the transaction must be approved by the FCC. Ms. Hatfield stated that there is a FCC docket

looking at federal issues. Mr. Traum stated that the level of scrutiny of the transaction is much higher at the state level than at the FCC.

Mr. Wrightsman asked if anyone has done a study on how long wirelines are going to be around. He wondered whether and when new technologies will supersede wirelines. Mr. Traum acknowledged the appropriateness of the question but explained that in rural areas options to traditional wireline service may not be as available. Ms. Hatfield stated that the legislature is considering Mr. Wrightsman's question and that the challenge is that only some technologies can be regulated. Mr. Wrightsman mentioned a recent "compromise solution" at the FCC concerning radio waves.

Mr. Pare asked if cable companies are involved in this docket. Mr. Traum responded that Comcast and the regional cable industry group are intervenors and have filed testimony. Mr. Pare asked about the issues raised by cable companies. Mr. Traum responded that they generally concern pole attachments. Mr. Traum also mentioned an attempt by the OCA in the past to get funding for an additional staff position, to assist local communities with cable negotiations. Mr. Perry mentioned that cable pricing is a federal issue that can not be negotiated by municipalities.

Mr. Perry asked the OCA where we go from here. Specifically, does the OCA want the Board to formally vote on the position taken by the OCA in these proceedings? Mr. Kelly said that the Board does not need to vote on the OCA's positions. He asked about how the OCA would be represented at the hearings. Ms. Hatfield explained that the OCA's experts, Ms. Baldwin and Mr. Brevitz, will testify at the hearing and will be subject to cross examination by the other parties. The next tasks for the OCA include responding to discovery on the OCA's testimony, and then the OCA will undertake discovery on the companies' rebuttal testimony. Mr. Perry stated that from his reading of the public testimony he does not disagree with the position taken by the OCA. He also mentioned that he can understand the sentiment expressed by some that anyone is better than Verizon.

Ms. Seldin asked if any legislators have been to the meetings or hearings. Ms. Hatfield explained that at least one legislator filed written comments in the docket and several attended the public statement hearings. Ms. Seldin expressed concern that legislators should be involved if they are going to vote on it. Ms. Hatfield explained that the legislature does not vote on the proposed transaction but could respond afterward through legislation.

Mr. Wrightsman inquired about what people were most concerned about: internet, television or telephone. Ms. Hatfield said that at the public statement hearings, most people expressed concern about access to the internet. Mr. Traum reminded the Board that the Commission only regulates telephone landlines, not internet or cable.

Mr. Kelly said that he is impressed by the quality and scope of the OCA's testimony and suggested that the Board could formally indicate its support to the OCA Staff.

Mr. Perry asked if the OCA could characterize the redacted information in the Verizon/FairPoint case. Ms. Hatfield replied that it is in the nature of financial information and labor-specific information. Mr. Eckberg mentioned the Verizon service quality information, which the company believes it is entitled to protect from the public under PUC case law. Mr. Mailloux stated that Verizon wants to hide the fact that its service is poor and it is making more money. Mr. Traum mentioned the Commission's score card, which does provide some limited service quality information. Mr. Perry then asked where Verizon stands as far as overall service quality in comparison to other states. Ms. Hatfield responded that she does not know, but we are aware that both Maine and Vermont have higher standards and penalties for not meeting the standards.

MOTION: Mr. Perry moved to support the position, research and intentions of the written statements of the OCA. Mr. Mailloux seconded and the motion was approved by unanimous vote. The Board also expressed its gratitude for the quality of the OCA's work.

Mr. Traum sought to clarify the Motion in that the OCA will likely be engaging in settlement negotiations, which may include one or more compromises of our initial positions as expressed in our testimony. Mr. Kelly acknowledged that such an occurrence would be accepted common practice, that things may change, and that he believes that the Board's vote of support included such potential changes. He also asked the OCA to keep the Board apprised if they do.

5. Active Case Updates:

The Board then briefly discussed various dockets listed in the Active Case Update, including:

Energy Policy Commission – Ms. Hatfield said that this Commission will regroup tomorrow, that the deadline for a report had been extended for a year, and that they have a quite extensive list of issues to consider.

EAP docket – Ms. Hatfield said that the hearing is on September 17. She explained that this docket has proceeded differently from other adjudicative dockets at the Commission, in a more collaboratively way. She stated that the OCA and other parties are expected to file position statements on August 24. There will be no testimony or discovery. The Commission staff hired Roger Colton as a consultant to assist with developing a monitoring and evaluation plan for the EAP.

PSNH rate changes as of July 1 – Mr. Traum touched upon a number of recent dockets that have converged to impact PSNH’s rates. The result is less than a 1% increase for residential customers. Mr. Kelly asked if the stranded cost rate decreased. Mr. Traum responded that it did not. The major driver in the rate change is the above-market rates for Qualifying Facilities (wood plant) contracts. The decrease related to the decrease in the Energy Service rates.

Decoupling – Ms. Hatfield discussed this Commission-driven investigation, which she expects may be lengthy. The Commission recently added natural gas utilities as mandatory parties. Mr. Traum stated that some utilities are saying that decoupling should compensate utilities for all lost sales caused by any factor. The OCA takes the position that if decoupling is implemented, it should be more narrowly defined to only include lost sales caused by utility-sponsored energy efficiency. For example, decoupling should not include lost sales due to weather.

EPAct – Ms. Hatfield described the Commission’s recent order, which requires new meters with the capability for consumers to see the prices of electricity throughout the day. PSNH filed a motion for rehearing. If the Commission’s order stands, it will be a very big policy shift for New Hampshire. Mr. Traum mentioned that he went on a tour with Unitil to see their new meters. Mr. Mailloux said that he just had his meter changed and now the company does not need to use meter readers. Ms. Hatfield mentioned the impact of the Commission’s order on how the utilities procure energy. Mr. Traum stated that Unitil buys its energy in four 25% blocks. The Commission expressed concerns that securing such a long-term contract will interfere with the ability of UES to convert to time-of-use pricing. The Commission considered whether to allow UES to proceed with a three-year contract, and reduced the period to two years, consistent with the position advocated by the OCA. Chairman Kelly asked if anyone would analyze the impact on rates of the term reduction. Ms. Hatfield said that this would likely be considered in the EPAct docket. Mr. Traum expressed concern that such an analysis will require a comparison of actual results to hypothetical. He suspects that meter changes may not happen for years.

TDS AFOR – Ms. Hatfield explained that this case is the first to consider an AFOR under a new statute. It is an important case, which impacts nearly 25,000 customers. The OCA is currently in the process of retaining an expert. The TDS companies allege that they face competition but are unable to compete because they are under rate of return regulation. The central question for the Commission is whether customers in the service territories of these companies have competitive services available. Mr. Mailloux, a customer of one of the petitioning TDS companies, mentioned that he can not get cable television in Salisbury. He uses a satellite dish. Mr. Mailloux expressed the opinion that the companies are getting more money than they represent. The case is in the early phases, with hearings scheduled for December.

PWW Eminent Domain – Ms. Hatfield stated that the company and the City were not able to reach an agreement during the stay period. As a result, the hearings will resume in September. Mr. Pare asked whether there was a “citizen’s advocacy” group representing Nashua citizens. Mr. Traum said that there are a large number of intervenors, including citizens of the city, and that the OCA has not taken a position in the case.

PEU rate case – Mr. Traum explained that PEU is not part of the integrated system serving Nashua. It has about 5,000 customers. The OCA, Staff and the Company reached agreement on temporary rates, a 10% increase, which is reconcilable once permanent rates are decided. The hearing is tomorrow.

Fryeburg Water Company – Ms. Hollenberg summarized the status of the rate investigation in Maine. A stipulation entered into by the company, the Maine Office of Public Advocate and two intervenors is pending. The stipulation, if approved, would require a significant increase in the rates paid by Pure Mountain Springs, a commercial customer of the company, which purchases water for resale to Poland Springs. Pure Mountain Springs objects to the Stipulation.

KeySpan/National Grid merger – Ms. Hatfield mentioned the Commission’s approval of the Keyspan/National Grid merger. Mr. Traum stated that the next step for the companies is a determination by the New York Public Utilities Commission. Mr. Traum mentioned that the stipulation approved by the NH Commission includes a “most-favored-nations” clause.

6. New email addresses – Ms. Martin brought it to the Board’s attention that the OCA staff have new email addresses. They are as follows:

meredith.a.hatfield@oca.nh.gov

ken.e.traum@oca.nh.gov

rorie.e.p.hollenberg@oca.nh.gov

stephen.r.eckberg@oca.nh.gov

christina.martin@oca.nh.gov

7. Next Meeting - September 10, 2007.

Mr. Perry moved to adjourn, Mr. Mailloux seconded and the meeting closed by unanimous vote at 3:38pm.