

Dated: 1/26/07

A) Electricity

1. Energy Planning Advisory Board and State Energy Policy Commission

The OCA has a seat on these two committees which were established by SB 443 (2004) and HB 1146 (2006), respectively.

- Energy Planning Advisory Board (EPAB) held a stakeholder forum on June 23rd on NH energy issues and concerns, and presented a report compiling the input to the Energy Policy Commission in late September. Since then, the Board and the Commission have been meeting jointly to address the Commission's legislative charge.
- The Energy Policy Commission (EPC) recently created three subcommittees: siting of commercial wind facilities, renewable portfolio standard (RPS), and an interim report drafting committee. Meredith serves on the latter two. The Commission decided to focus on these three areas before starting work on the larger and more complicated restructuring-related issues in 2007. The EPC's Interim Report was provided to the Board at the December meeting. **Now that the new legislative session has begun, the Commission should reconvene.**

2. ISO/Regional Electric Issues

The revised LICAP Settlement for a New England Forward Capacity Market (FCM) was approved by FERC with a transition period implementation scheduled for December 1, 2006. The parties, including the OCA through our consultant, continue to address implementation issues. One significant issue is making sure demand-side resources are treated comparably to supply-side resources. In October, a minority of NEPOOL

stakeholders, including the NH and CT OCC, voted against the ISO's budget request due to the salary levels of the ISO management. In December the OCA joined other New England Advocates and Attorneys General (CT, MA, and ME) in filing a pleading with FERC to protest ISO management compensation levels and depreciation policies, and requesting that FERC investigate both issues prior to approving ISO-NE's budget. **The Forward Capacity Market Rules are due for final approval in February, so our NEPOOL consultant has been updating us on issues as they arise.**

3. Electric Assistance Program – Advisory Board

A participant survey was distributed to the Community Action Agencies in early January. At the January meeting, the Board discussed Monitoring and Evaluation, and the OCA's suggestion that the Commission retain the services of an independent third party to design and conduct M&E. The Board also discussed the new EAP docket, DE 07-009, see below.

4. DE 05-111 Power Quality Improvement Team Pilot Program

The Commission opened this docket in June 2005 to address an issue that arose in a previous docket concerning the quality of service provided by PSNH to customers in Bedford, specifically, the lack of a systematic process to coordinate the actions of PSNH personnel and electricians employed by customers to determine whether a service-related complaint from a customer arises out of conditions on the PSNH distribution system and/or within the customer's premises. The OCA joined with Staff and most other parties to develop and file with the Commission an organizational document, entitled "Pilot Project Understandings", which the Commission approved. **Presently, the parties**

await the Commission's selection of a consultant to oversee voltage complaint investigations on its behalf.

5. DE 05-178 Unitil Energy Systems, Inc., Petition for Permanent Rate Increase and Temporary Rates

In November 2005, UES filed for a distribution rate increase. The OCA joined the Staff and UES in a settlement agreement, providing for a 2.0% permanent rate increase for residential customers; a modified, discounted, initial-usage block; two specifically-defined step adjustments; and temporary rate reconciliation and recovery of prudent rate case expenses. The Commission approved the settlement agreement in early October 2006. In November, the Commission approved UES' corrected calculations for the November 1 step adjustment, with one modification, and allowed UES to collect the difference between temporary and permanent rates and some of its rate case expenses beginning November 1. Staff and the OCA investigated the remaining rate case expenses (which totaled \$520,425). **In January, Staff, the OCA and UES reached a settlement on rate case expenses, which reduces the recoverable amount by approximately \$160,000.**

6. DE 06-028 PSNH Distribution Rate Increase

In May 2006, PSNH filed its permanent delivery service rate to increase its annual revenue requirement by \$49 million, and in a letter on November 17th PSNH revised the request to \$60 million. The Commission approved an agreement of the parties to a \$15 million increase in revenue from temporary rates, effective July 1, 2006, and we entered the permanent phase of the case. The OCA retained the services of Stephen Hill of Hill

Associates, an expert witness on cost of capital. He recommended a 9.0% return on equity in his testimony. In addition, Ken Traum filed testimony on behalf of the OCA on a range of issues resulting in a recommended rate increase of \$17,321,000. By comparison, the NHPUC Staff recommended a \$40 million increase and a 9.12% return on equity. **The OCA and Staff have responded to discovery on testimony and are now preparing for settlement conferences in February.**

7. DE 06-061 Energy Policy Act of 2005

On April 24, 2006, the Commission opened a docket to consider five new federal energy standards created under the Energy Policy Act of 2005 (EPAAct). EPAAct requires that each state PUC make specific determinations as to whether implementation of the standards is appropriate, or if the state has already made progress in the area covered by the standard through prior state action. The Commission has to making its findings on the first two standards in 2007, and on the last three in 2008. The standards are:

1. Interconnection

This refers to how to a customer who has on-site generation connects to the local distribution company, which must be done in accordance with the interconnection standards developed by the Institute of Electrical and Electronics Engineers (IEEE). Some renewable developers and distributed generators argue that interconnection standards and processes are a barrier to entering the market.

2. Time-Based Metering Communications (or "Smart Metering")

The Commission must consider whether it is appropriate for electric utilities to provide and install time-based meters and communications devices for customers to enable them to participate in time-based pricing rate schedules and other demand response programs. This type of technology current exists for large customers and has been utilized during summer peak periods, and could be used more widely to reduce peak demand if the meters are cost-effective.

3. Net Metering

"Net metering" provides a way for small customers who self-generate electricity from renewable resources to send excess power back to the electric grid. A customer who participates in net metering gets credited on their electric

bill for the electricity they send back to the grid. New Hampshire has had net metering rules in place since 1990. The Commission will review how the rules have worked and whether changes are needed.

4. Fuel Diversity

Fuel diversity refers to the mix of fuels used to generate electricity. New Hampshire currently has a quite diverse mix, including coal, natural gas, oil, nuclear, hydroelectric, biomass and municipal solid waste. Many believe that fuel diversity is important to reduce price volatility, especially at a time when so much of our new generating capacity uses natural gas.

5. Fossil Fuel Generation Efficiency

This topic will likely include consideration of technologies to increase the efficiency of combusting traditional fossil fuels, i.e. coal gasification, and may also include review technologies that result in more efficient operation of older plants.

The Commission is focusing on the first two standards this fall, and several parties have filed initial comments. **The OCA filed comments on November 3rd and awaits Commission action on how it will proceed on the first three issues. The last three issues will be addressed in 2008.**

8. DE 06-123 Unitil Energy Service (ES) Rate

In Order No. 24,682, dated October 23, 2006, the Commission required the Staff and parties to file a report regarding the calculation of over/under collections and associated interest prior to UES' next default service filing. On December 8, UES asked the Commission to allow the parties and Staff more time to resolve this issue. In Order No. 24,716, dated December 15, 2006, approving UES's default service solicitation and proposed default service tariffs for large commercial and industrial customers for the period February 1, 2007, through April 30, 2007, the Commission set a new deadline for filing a report or reports recommending the method for UES to account for reconciliation of over and under recoveries and related interest before UES's next default service filing.

The parties have discussed the issue and have not yet come to an agreement.

9. DE 07-009 State-wide Low Income Electric Assistance Program

On January 17, 2007, the Commission issued an Order of Notice opening a docket to investigate the administrative costs of operating the statewide low income electric assistance program (EAP). The Commission specified that the proceeding would, among other things, consider ways of streamlining EAP administrative processes and reducing administrative costs, and review all administrative costs since 2003. The Commission will also consider whether the Community Action Agencies can recover \$40,000 in information technology costs related to the special 2005 – 2006 winter EAP, resulting from SB 228 last year. A prehearing conference is scheduled for February 13.

B) Telecommunications

1. DT 04-019 Verizon Quality of Service Performance

On March 19, 2004, the Commission opened this docket to investigate Verizon's quality of service. The Staff engaged the services of Roland Curry from Curry Associates to review Verizon's quality of service reports. In February 2005, Mr. Curry recommended resumption of a formal proceeding with enforcement of appropriate remedies. Staff through a memorandum dated October 20, 2005, noted that two further reviews of Verizon's service reports were conducted reflecting that service had improved slightly during the winter of 2005 but had developed a notable downward trend during the summer. In a memorandum dated November 22, 2005, the Staff indicated that calls received during 2005 involving issues related to Verizon's service quality and repair

efforts had increased 96% over 2004 even after excluding two specific events that occurred in July and August. As a result, the Commission held a Status Conference in February 2006. In April 2006, the Commission conducted a second status conference for the specific purpose of allowing Verizon to explain in significant detail the mechanics and validity of its in-house customer service survey. In June 2006, the Commission announced via a Secretarial Letter that it would engage the services of a consultant to conduct an independent survey of Verizon's customers. Verizon filed a letter with the Commission, on June 30, 2006, requesting a hearing to argue its position that an independent survey is not necessary or permitted by law. Verizon also argued that the Commission lacked authority to assess Verizon for the costs of such a survey. On July 20, 2006, the OCA filed a motion to consolidate this docket with the Verizon AFOR docket, DT 06-072, which Verizon objected to on July 24. On September 5, 2006, the Commission denied without prejudice Verizon's request for a hearing about the proposed customer service survey. Specifically, the Commission stated that Verizon's concerns are "premature" in that the Commission "has decided only to issue a Request for Proposal (RFP) for consultancy services. A review of responses to such an RFP will allow the Commission to determine the feasibility of conducting a statewide customer survey." On October 3, the Commission issued an RFP entitled "Proposal to Survey Residential and Business Telephone Customers in New Hampshire regarding Service Quality and Competition." Proposals were due at the Commission by October 25, 2006. The Parties now await a determination by the Commission on next steps.

2. DM 05-172 Generic Investigation into Utility Poles

The Commission opened this docket in November 2005 as a result of a staff memo outlining problems with timely installation and repair of utility poles. Due to the size and complexity of this case the docket has been broken into five distinct categories: 1) Emergency Management; 2) Joint Ownership Responsibilities for operations and Maintenance; 3) Utility Relationships with Government Entities and their Subcontractors; 4) Retail Customer Relationships; and 5) Competitive Issues. A technical session was held on November 29th and, in a collaborative effort, the Parties are now drafting white papers for each issue area that was investigated. The white papers will present the findings and provide recommendations for areas of improvement. **The white papers should be submitted to the Commission for review during the first quarter of 2007.**

3. DT 06-020 Verizon's Supplemental Wire Center Request Qualifying for Relief from Unbundled Services (Concord, Dover & Salem)

In January 2006 Verizon filed a request to change the impairment status of its Concord, Dover, and Salem wire centers pursuant to Section 251 of the Telecommunications Act of 1996 and subsequent amendments and the FCC's Triennial Review Remand Order. Steve Merrill assisted Staff in preparing a factual affidavit regarding business line counts, which was filed with the Commission. On September 13, 2006, BayRing Communications and SegTel, Inc. filed a request for the Commission to determine the appropriate transition period for de-listed unbundled network elements affected by the wire center classifications resulting from this docket. The Commission requested that the parties submit initial comments on October 11, 2006, and reply comments by no later than October 25, 2006. **The Commission issued Order No. 24,723 on January 5, 2007, in which, Verizon's Dover and Salem wire centers were classified as Tier 3**

(impaired) and the Concord wire center was classified Tier 2 (unimpaired for transport). The Commission further ordered that Verizon refund to CLECs monies collected as the result of Verizon applying transition rates for unbundled network elements it had delisted in Dover and Salem. Finally, the Commission ordered a rolling transition period of 7 months for DS1 and DS3 loops and transport and 13 months for dark fiber.

4. DT 06-072 Verizon Alternative Form of Regulation (AFOR)

On May 5, 2006, Verizon filed with the Commission a Stipulated Agreement between Verizon and the Staff that if approved would grant Verizon price deregulation for its retail services. On September 6, 2006, the Commission stayed the procedural schedule in order to consider a letter filed by Verizon seeking to withdraw the Stipulation and letters filed by the OCA and Intervenors Schmitt and Smith, urging the Commission to continue with the docket despite Verizon's withdrawal. There has been no further activity on this Docket since the Commission stayed the procedural schedule on September 6th.

5. DT 06-169 Joint Petition of IDT and Metrocast for the Granting of Numbering

Resources

IDT and Metrocast Cablevision petitioned the Commission on December 14, 2006, for expedited relief granting number resources to allow them to offer residential telephone service within Verizon exchange areas where Metrocast offers cable television service. IDT and Metrocast proposed that the Metrocast cablevision distribution system would provide the physical connection to each customer, and IDT would provide the switching infrastructure and interconnections to the Public

Switched Telephone Network and E911 system. The Commission took the case directly to a hearing, without a discovery phase, on January 19th at which time Staff, IDT and Metrocast presented a settlement agreement. The OCA voiced its strong support for the settlement, and our belief that it would promote service alternatives for residential telephone customers located in rural Verizon exchanges. The Commission approved the settlement on January 26th.

6. **DT 06-168 Review of Verizon New Hampshire Performance Assurance Plan**

On November 22, 2006, Verizon NH filed a revised New Hampshire Performance Assurance Plan (NHPAP) for PUC approval. The NHPAP is based on a similar plan that has been adopted by the New York Public Service Commission. In sum, the plan was developed to ensure that competing Competitive Local Exchange Carrier's (CLECs) receive parity of service from Verizon in all aspects of ordering, provisioning and maintenance as Verizon NH provides to itself and other CLECs. The Commission has set a prehearing conference for February 15, 2007.

7. **DT 06-171 Union Telephone Company Tariff Filing to Lower Intrastate Access**

Charges and Raise Basic Residential Exchange Service Rates

On December 15, 2006 Union Telephone Company (Union) filed a petition to lower intrastate access charges and raise basic exchange residential rates by approximately \$4.00 per month. The OCA intervened in the docket on January 16, 2007. The Commission has also taken this case directly to a hearing on the petition for February 5th, without a discovery phase, noting in the order of notice that "Union's filing raises... issues regarding the relative advantages to customers of

lower intrastate access charges and the relative disadvantages of increased charges for basic services, as well as the best near-term and long-term interests of the company and its customers.” OCA has spoken with the Company and will meet with PUC Staff to discuss the case prior to the hearing explore the basis for Union’s proposal.

C) Water

1. DW 04-020 Fryeburg Water Company, Investigation of Quality of Service

Following a hearing on July 6, 2006, the Commission ordered the Fryeburg Water Company to replace all but 500 feet of the 1883 main. On October 10, the new transmission line began serving New Hampshire customers. On November 30, Staff filed recommendations to close the docket and to require the Company to replace the remaining 500 feet in 2008. The OCA concurred with Staff’s recommendations. While the Commission deliberated about the docket in a meeting in December, it has yet to formally close the docket.

2. DW 04-048 Pennichuck Water Works, Nashua’s Petition for Valuation pursuant to RSA 38:9 (Eminent Domain)

In March 2004, Nashua petitioned the Commission for permission to take by eminent domain three water utilities: Pennichuck Water Works (PWW), Pittsfield Aqueduct Company (PAC) and Pennichuck East Utilities (PEU). Since the filing, the Commission determined that Nashua could seek to take assets of PWW but not assets of PAC and PEU. In November 2005, the NH Supreme Court affirmed Nashua’s right to proceed

with a taking of PWW's assets. **The final hearing in this docket commenced as scheduled on January 10th. On January 16th, after three full days of hearing, Pennichuck and Nashua jointly moved the Commission to stay the docket. In support of their request, Pennichuck and Nashua stated that they would enter settlement discussions to negotiate a resolution to the docket. Later that day, the Commission granted a stay for 120 days.**

3. DW 06-073 Pennichuck Water Works Rate Case

On May 12, 2006, Pennichuck filed a notice of intent to increase rates. Pennichuck seeks a total increase of 36.49% over its annual operating revenues for the test year ending December 31, 2005 (a permanent rate increase of 15.91% and a further step adjustment of 20.50%). The Commission approved an approximate 14% temporary rate increase stipulated by the OCA, Staff and PWW. **The parties and Staff await the results of the Commission's audit, which is due February 1. Hearings on the permanent phase of the rate case will begin April 3rd.**

4. DW 06-099 Hanover Water Works Rate Case

In September, Hanover Water Works (Hanover) filed petitions for a temporary rate increase of 8.54% or \$119,377 and a permanent rate increase of 13.04% or \$182,634, effective October 1, 2006. The Company is also expected to file a request for a step adjustment for a new water filtration and treatment system and a new water storage tank (see Order No. 24,393 in Docket DW 04-117), which, if approved, will result in an additional 50% increase in rates. The Staff, the OCA and Hanover agreed to a temporary overall rate increase of 5.25%, which the Commission approved. **Hanover's responses**

to the second set of data requests are due February 1st and the final audit is due on February 22nd.

5. Maine PUC 2006-590 Fryeburg Water Company Rate Case

In August 2006, the Maine Commission opened this docket to investigate the FWC's rates in light of over-earnings that had occurred during 2004 and 2005. FWC seeks to maintain current rates and rate structure. The OCA is a limited intervenor in this docket. **Fryeburg responded to the first set of data requests on January 21st. A technical conference is scheduled for February 2nd.**

D) Gas

1. DG 06-033 Northern Utilities, Inc. Capacity Reserve Cost Recovery

In a previous docket, DG 05-08, the Commission authorized Northern to retain system-wide reserve capacity equal to 30% of the Company's unassigned capacity transportation load requirements. In this docket, the Commission will determine how the cost related to that capacity reserve should be recovered. OCA and Staff maintain that the costs should be recovered only from grandfathered customers (i.e., transportation customers who are not assigned capacity costs). Northern seeks to spread the cost to all customers equally. The Commission approved an agreement between the Parties and Staff, which establishes an Interim Capacity Reserve Charge (@ \$0.0553 per decatherm) to be charged to capacity-exempt customers until the broader issues associated with the reserve are resolved in DG 06-098. **Currently the Parties from both states are developing a procedural schedule for the remainder of the case.**

2. DG 06-098 Northern Utilities, Inc. Long Range Integrated Resource Plan

In June 2006, Northern filed its Long Range Integrated Resource Plan for the period 2006 through 2012. The IRP provides details of Northern's resource planning process and strategies based on its current forecasts of requirements and present market conditions. The filing of the IRP satisfies one of the terms contained within the Stipulation and Settlement approved by the Commission in DG 05-080, Order No. 24,627. Because Northern operates a unified system for customers in New Hampshire and Maine, Northern's IRP is also being reviewed by the Maine Public Utilities Commission. Technical sessions in the two state proceedings will be conducted jointly. **The parties are in the process of developing a procedural schedule for the remainder of this proceeding.**

3. DG 06-105 Energy North Natural Gas, Inc. d/b/a Keyspan Energy Delivery New England (Keyspan) Long-Range Integrated Resource Plan

Keyspan filed a revised filing of its Integrated Resource Plan in August 2006. **Discovery and technical discussions continue, with the hearing scheduled for March 28th.**

4. DG 06-107 Acquisition of Energy North Natural Gas, Inc. d/b/a Keyspan Energy New England by National Grid, plc

In August 2006, Keyspan and National Grid filed a joint petition for approval of a merger transaction that would result in Keyspan becoming a wholly-owned, indirect subsidiary of National Grid. **Discovery is under way, and a technical session/settlement discussion was held on January 25th.**

5. DG 06-121 Energy North Natural Gas, Inc. d/b/a Keyspan Energy Delivery New England
Cost of Gas (CGA) – Winter 2006-2007

In September 2006, Keyspan filed for a residential rate of \$1.2664 per therm and revised surcharges, totaling an approximate 8% increase over last winter. At a hearing on October 17, the OCA objected to an update of Keyspan's indirect gas costs in this CGA proceeding on the basis that to do so constituted single-issue ratemaking. The OCA also opposed recovery in this proceeding of environmental remediation costs for a Gilford waste site without further investigation. On October 27, 2006, the Commission issued Order No. 24,688 setting the rate at \$1.1513 per therm, approving recovery of prudently incurred environmental remediation costs including the Gilford site, and deferred ruling on interest issues, bad debt costs, and single issue ratemaking. **The Staff and OCA have issued data requests on the interest, bad debt and single-issue ratemaking to which the company has responded.**

6. DG 06-129 Northern Utilities, Inc. Cost of Gas (CGA) – Winter 2006-2007

On September 15, 2006, Northern filed for a residential rate of \$1.37 per therm, which is a 10% increase over the average rate for last winter. On October 27, 2006, the Commission issued Order No. 24,684 setting the rate at \$1.2984/therm. **Staff and the parties are in the process of discovery and discussions regarding the calculation of over/under collections and associated interest.**

7. DG 06-154 Energy North Natural Gas, Inc. d/b/a/ Keyspan – Investigation into Thermal
Billing Practices

On November 14, 2006, the Commission opened this docket to investigate the thermal billing practices of Energy North. In May 2001, Energy North switched its methodology for measuring heat content of its natural gas from a “wet” method to a “dry” method without making an offsetting adjustment and without Commission approval. The switch improperly increased the number of therms billed to customers and thus the base rate charges paid by customers. The OCA participated in a prehearing conference on December 28th and is now participating in discovery, focusing on how the change was made without Commission authority, and how best to return the over-collected funds to customers. **Staff and the OCA have submitted discovery to the Company and received responses. Further technical session/settlement discussion is scheduled for February 1st.**