

## **Residential Ratepayers Advisory Board Meeting Minutes**

June 18, 2007 meeting

The Residential Ratepayers Advisory Board (Board) met on June 18, 2007, at the OCA office.

### **Present for the Board:**

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

### **Present for the OCA:**

Meredith Hatfield  
Kenneth Traum  
Rorie Hollenberg  
Steve Merrill  
Christina Martin

Mr. Kelly declared a quorum present and opened the meeting at 2:05 PM.

### **1. Minutes**

The April 30th meeting minutes were before the Board for review and approval. Mr. Perry moved to approve the minutes as drafted. Mr. Mailloux seconded, and the minutes were approved by unanimous vote.

Ms. Hatfield announced that she attended the retirement party for Ms. Monier from NHHFA, and was happy to have represented the OCA at the event. Ms. Hatfield also announced that Steve Merrill is still with us, as he agreed to stay on until July 13<sup>th</sup>. He has been very helpful to our office during the discovery process in the FairPoint/Verizon case. Ms. Hatfield then informed the Board that Stephen Eckberg will be the new Utility Analyst. Ms. Hatfield said that Mr. Eckberg has worked with this office on the EAP dockets and currently works for the Belknap-Merrimack Community Action Agency as the EAP Program Administrator. Mr. Kelly reported that his staff at the Tri County Community Action Agency think highly of Mr. Eckberg. Ms. Hatfield informed the board that Mr. Eckberg's first day will be July 16<sup>th</sup>, the date of the next Board meeting.

### **2. FairPoint/Verizon – hand out provided**

Ms. Hatfield handed out an updated list of “major issues” which detailed some of the

concerns raised by OCA and other parties in the case. Ms. Hatfield explained that the OCA is still participating in the intensive discovery process, and that our consultants are hard at work reviewing discovery responses and preparing their testimony. Ms. Hatfield then reported that she and Mr. Merrill appeared on the Arnie Arneson show to discuss the case last week. Ms. Hatfield also informed the Board that the OCA is still developing its position, but the recent technical sessions prompted more questions than answers. One concern arising from the technical sessions is whether FairPoint has performed the necessary due diligence required for a transaction of this magnitude. Another major issue is that in response to the OCA asking if FairPoint would be willing to commit to the PUC service quality standards, the company would not make that commitment.

Mr. Perry asked the question of what is a legacy system. Mr. Merrill responded that this refers to the many Verizon information technology systems that have been developed over the years to handle most every task performed by the company, including service and repairs. Mr. Perry said he went to one of the public meetings, and most of the concerns raised related to DSL, FiOS and the internet itself. Mr. Perry explained that some of his concerns are focused on whether this is an arms-length deal given that Verizon seems to have chosen FairPoint in order to avoid taxes by selling its three northern states assets to such a small company. Mr. Kelly reported that he heard some of the same concerns from people attended the meeting in Littleton, including availability of DSL, the tax implications of the deal, and how it would impact employees.

Mr. Pare asked why FairPoint couldn't answer the service quality question. He wondered if it was because the representatives were not authorized to make that commitment. Ms. Hatfield stated that she thought that the appropriate FairPoint person was present, but had only been on the job a short time and was not prepared to make that commitment. Ms. Hatfield also mentioned the yellow pages ruling by the Commission that found that Verizon should impute, for the benefit of ratepayers, at least \$23 million annually due to the spin-off of the directory assistance business. Neither company had a suggestion during the technical sessions on how ratepayers would actually see that benefit post-sale. Mr. Perry asked if the directory assistance ruling carries over from Verizon to FairPoint if the transaction is approved. Ms. Hatfield said that the OCA believes that it must be determined in the sale. She also said that Verizon subsequently entered into a 50-year directory assistance contract with Idearc, the company to whom Verizon spun off the business.

Mr. Pare then went on to inform the board and the OCA that he attended a NHEC meeting, where he met Don Kreis, General Counsel for the PUC. He said that there was a discussion of poles issues, including the costs and the rates charged to NHEC members. Mr. Traum explained that the issue with the poles and costs has been looked at in the electric companies' rate cases and they have not been allowed to recover that money from ratepayers. This is an issue being addressed in the FairPoint case.

Mr. Perry said that he was of the opinion that if FairPoint isn't providing the information we need, then we should oppose the deal. Mr. Kelly agreed. Mr. Mailloux asked what Maine's thoughts are about this deal. Ms. Hatfield stated that we intend to have another

discussion with both the Maine and Vermont ratepayer advocates to see where they stand at this point. Mr. Kelly asked if one state says no is the whole deal off. Ms. Hatfield said that her understanding is that the sale depends on approval in all three states.

Mr. Perry asked about the testimony process and if the OCA's position will be clearly stated in the testimony. Ms. Hatfield explained the process and confirmed that the OCA will state a position in the testimony of both of its experts. Mr. Perry asked for an executive summary of the testimony when it is filed. Ms. Hatfield said that the OCA will provide an executive summary and overview to the Board once the testimony is filed on July 11<sup>th</sup>.

OCA Action Item: Executive summary of testimony to Board.

### **3. Rate Design Mechanisms to Provide Incentives for Energy Efficiency**

Mr. Traum explained the decoupling concept and how it compares to traditional ratemaking. In a nutshell, decoupling means that regardless of sales levels, the electric utilities (as well as possibly natural gas) would continue to receive the same revenue. Ms. Hatfield explained that the idea is to remove the connection between revenues and sales in order to provide a catalyst to the electric companies to support greater energy efficiency. According to the electric utilities, without this separation, promoting energy efficiency and, as a result, less consumption of electricity, conflicts with their interests in selling as much electricity as would achieve their maximum rate of return. The OCA has stated in the proceeding that we need to look very carefully at how decoupling would be implemented to ensure that we do not pay utilities for sales losses other than those due to increased energy efficiency, such as mild weather or economic downturns. Mr. Perry said that he believes that if consumers could see pricing at real time they would adjust their use to the cheapest rates. Mr. Traum explained that this required "smart meters" and time-of-use rates, and that the existing EPAct docket is considering the use of smart meters. We are awaiting a commission ruling in that case. Ms. Hatfield said that in the decoupling docket the OCA intends to research how the issue has been addressed in other states.

Mr. Traum then presented a question to the Board for feedback: Do you think that ratepayers in general are willing to pay more for energy efficiency? Mr. Russman said that first, before asking such a question, we must explain the benefits of energy efficiency so people would understand where the money is going and that it will pay back in the long run. People need to understand why before they would support it. Mr. Perry answered that the population he represents is less likely to be able to pay additional amounts for energy efficiency. Mr. Mailloux echoed Mr. Perry's comments for the disabled population, stating that it is hard enough to pay today's rates, let alone extra. Mr. Kelly suggested that we need to provide extra education to the public so they understand what the extra money would be used for. Mr. Traum pointed out that this is not the position of the OCA but rather he sought the board members' impressions, based upon their knowledge and experience with their constituents. Mr. Pare suggested that we contact AARP to see what their position is and if they will do a piece on education to

their members regarding the benefits of energy efficiency. Ms. Seldin mentioned that AARP does not represent the low-income elderly population. Mr. Perry agreed. Mr. Pare said that they could still be strong partner and ally, and that it may be helpful to reach out to the group. Mr. Pare stated that he could schedule a meeting with the regional director at AARP, or perhaps with the new state director. Ms. Seldin requested that we should contact the NH Council on Aging as she feels it is the working person's elderly organization.

OCA Action Item: Talk to AARP and NH Council on Aging regarding interest in energy issues such as efficiency and decoupling.

#### 4. Updates

- a.) Legislative Update – Ms. Hatfield briefed the board on several bills.
- HB 119 *Sunset provision of SBC* – Ms. Hatfield explained that an amendment to this bill allows the Community Action Agencies to recover \$40,000 of software costs arising from the EAP changes due to the special winter program created under SB228 last year. Ms. Hatfield explained that during restructuring the statute limited the funding for both efficiency and low income programs to 3 mills, 1.8 mills for efficiency and 1.2 for low income. However, after competition was certified to exist, the amount could be increased so that low income could be 1.5 mills and efficiency could also increase. The Commission rejected a proposal to increase the low income portion last year, and the efficiency funding level has not yet been raised.
  - SB123 *Relative to pole attachments* - Ms. Hatfield explained the bill, which gives the PUC jurisdiction over disputes regarding pole attachments.
  - HB361 *Relative to technical changes in certain laws governing public utilities* – Ms. Hatfield explained that this bill authorized the OCA to utilize a special assessment of up to \$150,000 for our consultants for the FairPoint/Verizon case.
  - SB 140 *Relative to construction of renewable generation assets* – Ms. Hatfield explained that this bill went through many revisions and ended up as a bill to study transmission issues, and directing the Energy Policy Commission to consider issues related to deregulation and competition.
  - HB 152 *Relative to public access to meeting minutes* – Ms. Hatfield said that the key change to RSA 91-A relates to electronic communication between members of public boards.

b.) **OCA Activity Updates:** The Board reviewed the Activity Update.

#### *PSNH July 1<sup>st</sup> Rate Changes*

Mr. Traum explained that as of July 1 there will be a number of changes in PSNH rates, including an increase in stranded costs due to contracts with wood plants, a decrease in energy service due to lower market prices, an increase due to the last rate case, and an increase resulting from the new transmission adjustment charge. He explained that in

total the result should be a little bit less than a 1% increase. Mr. Perry asked whether those customers who buy from a competitive supplier will they see a bigger increase. Mr. Traum said yes, and that the rate changes could have a different impact on large commercial customers. Mr. Kelly asked if the stranded costs are gone yet. Mr. Traum replied that some are but a few of the long contracts with wood plants are in place until next year. In one of the rate-change dockets an intervener, Freudenberg NOK, a major New Hampshire manufacturer, has raised concerns that PSNH's rates are hindering the development of the competitive market. They are looking for PSNH to have a monthly rate with reconciliation for large customers. Mr. Traum notes that though the OCA is sympathetic to the Friedenber NOK issue, PSNH has said that it can not yet split out the residential customers and the large customer classes. He further stated that large customers see a change in their rates monthly with Unitil and Grid, but with PSNH it is every six months. This issue will be discussed further at the hearings on June 21<sup>st</sup>.

Mr. Perry asked if any of these small rate cases in telecom are FairPoint companies. Ms. Hatfield replied that they are not, and that FairPoint does business in the state as Northland Telephone, which serves East Conway and Chatham.

*DW 04-048 Pennichuck Eminent Domain*

A bill was passed in the Senate and House and is now awaiting the Governor's signature to allow Nashua to purchase PWW through a stock transaction. This would allow the City to purchase the whole system, including those parts outside of Nashua. The parties have said that this is a critical step in the process, though they have made clear that it is not guaranteed that this will result in an agreement. The parties must report to the Commission on July 17<sup>th</sup> regarding their progress toward settlement.

*DG 06-107 KeySpan/Grid Merger*

Mr. Traum reported that at the hearing the Commissioners asked how the settlement filed would work if this Commission went to decoupling. The OCA's response was that decoupling shifts risks from stockholders to ratepayers, and therefore the rate of return might need to be revisited.

*DE 05-113 Power Quality Improvement Team Pilot Program*

Ms. Hatfield announced that Brian Lamy has requested time to speak with the Board at its July meeting, with another Bedford resident, to discuss ongoing issues in the town.

7. **Next Meeting**

The next Board meeting is scheduled for Monday, July 16<sup>th</sup> at 2:00 pm, at the OCA office. There will be no meeting in August. The September meeting is scheduled for September 10<sup>th</sup>, and the October meeting is scheduled for October 1<sup>st</sup>.

Mr. Perry moved to adjourn the meeting, and Mr. Mailloux seconded. The meeting adjourned at 3:20 pm.