

Residential Ratepayers' Advisory Board
Minutes of the October 23, 2023 Meeting

<i>Present for the Board</i>	<i>Present for the OCA</i>
Thomas Moses, Chair	Donald Kreis, Consumer Advocate
Dana Nute, Vice Chair	Lesley LaPerle, Legal Assistant
Yolanda Baumgartner	Michael Crouse, Staff Attorney
Ryan Clouthier	Marc Vatter, Director of Economics and Finance
James Garrity	
Matthew Kfoury	
Neal Kurk	
Claira Monier	

Guest Speaker: Marc H. Vatter, Director of Economics and Finance

Mr. Moses called the meeting to order at 2:02 p.m. No members of the public were present. Official introductions were made for Marc Vatter, the newest member of the OCA Staff.

1. Minutes of July 24th Meeting

Mr. Moses moved to approve the minutes and Dana Nute seconded; the motion was approved by unanimous consent.

2. Presentation from Director of Economics and Finance Marc H. Vatter – “The Stabilizing Effect of the Bretton Woods Accords on Oil Prices”

Mr. Vatter showed a graph of the real price of crude oil from 1947 to the present. The price was very stable until 1973 and very volatile thereafter. This contributes a lot to volatility in prices for natural gas and electricity; oil is a "prime mover" in energy markets.

He offered two reasons for the more recent volatility stemming from interaction among price, the global macroeconomy, and behavior of the OPEC cartel. First, increases in price slow the economy more than decreases speed it up. As a result, OPEC is reluctant to raise price because sales fall considerably as the macroeconomy slows, and it is reluctant to lower price because sales increase little. When something changes global demand or non-OPEC supply, OPEC, then, is reluctant to offset that with a change in production, as a producer with market power normally would. This means that there is a range of prices that OPEC will accept, rather than a single price. In the language of economics, there are multiple unstable equilibrium prices.

Second, OPEC's profits are countercyclic when price is volatile. If OPEC raises price, the macroeconomy slows, but OPEC's profits rise, and vice-versa, so OPEC can offer financial instruments whose returns can be used to offset "systematic risk", so those instruments command a risk premium in financial markets, but only if OPEC jerks price around.

Mr. Vatter also discussed reasons for the early stability in price. First, the major oil companies (Seven Sisters) struck an “As Is” agreement in Scotland in 1928 that was

implemented tacitly, so as to avoid evidence of collusion that could have been used by the Antitrust Division of the U.S. Department of Justice.

Second, he focused on the gold-backed fixed exchange rates of the Bretton Woods Accords, negotiated in New Hampshire near the end of WWII. Because gold and oil, as commodities, are both stores of value, they are substitutes as such, so the stable price of gold induced stability in the price of oil. He presented statistics. Before 1973, the dollar price of gold, the dollar price of oil, and the gold price of oil were similarly very stable. Since 1973, the gold price of oil has been more stable than the dollar price of gold, and more stable than the dollar price of oil.

3. Consumer Advocate Reappointment

Mr. Kreis reported that he met with Governor Sununu on October 17, that the two had a friendly and positive discussion, and that, at the Executive Council meeting the following day (October 18) the Governor placed the name of Mr. Kreis in nomination for another four-year term as Consumer Advocate (commencing on November 5, 2023 and expiring on November 5, 2027). Mr. Kreis said he expected the Governor to call for a vote on the nomination at the Executive Council meeting on November 8, 2023. Mr. Kreis thanked Mr. Kurk for his assistance with editing the letter Mr. Kreis addressed to the Governor requesting reappointment and following up on the Board's affirmative recommendation to that effect as transmitted in July.

Finally, Mr. Kreis stated that, should the Executive Council confirm his appointment, he hoped the Board would redouble its effort to place more emphasis on its role of advising the Consumer Advocate. That, he suggested, would assure the Board's relevance prior to its undertaking the task, roughly three years hence, of considering who will serve as Consumer Advocate after November 5, 2027.

4. 2024 Meeting Schedule

The Board approved by consensus the four dates for 2024 meetings that were proposed in the Agenda:

Monday, January 22, 2024
Monday, April 22, 2024
Monday, July 29, 2024
Monday, October 21, 2024

5. Case Update

The Consumer Advocate drew the Board's attention to these pending PUC proceedings: DE 19-197 (statewide utility customer data platform); DE 22-060 (net metering, in which OCA will file testimony on December 1); and two Liberty rate cases (DE 23-039, Granite State Electric Co.) and DG 23-067 (Energy North), with OCA developing testimony in both proceedings. . He also noted that all three electric utilities will make default energy service filings in December, for effect on February 1, 2024.. Mr. Garrity asked about proposed legislation to authorize "laddering" of wholesale power contracts; Mr. Kreis noted that the PUC could direct utilities to do that under current law.

Mr. Kreis noted that hearings on the proposed 2024-2026 Triennial Energy Efficiency Plan were upcoming. He said he was optimistic about plan approval but was concerned that the PUC may be planning to implement an unreasonably large discount rate (for purpose of assessing benefits and costs) and was likewise concerned that the PUC may be planning to base its decision on materials outside the evidentiary record (i.e., responses to interrogatories previously issued by the PUC to the utilities).

Mr. Kurk offered an alternative view, to the effect that the OCA should be supporting any PUC efforts to increase the discount rate applicable to ratepayer-funded energy efficiency programs. Mr. Kreis expressed the opinion that the Commission is obliged by the 2022 legislation to approve a low discount rate but he noted that he expected there to be a bill introduced in the House during the 2024 legislative session that would give the General Court another opportunity to weigh in on this subject.

6. Legislative Update: Concerns for 2024 session

The Consumer Advocate stated that he is tracking all interesting LSRs (Legislative Service Requests – i.e., bills in their embryonic form) and notices titles that likely implicate the interests of ratepayers. One he noted in particular is an LSR from Senator Waters – an effort to require or authorize performance incentive mechanisms for utilities as a successor to the requirement, repealed this year, to file integrated resource plans for PUC approval.

7. Other Items

Mr. Moses also announced that on October 18 the Executive Council confirmed the reappointment of three board members as nominated by the Governor-- Dana Nute, Ryan Clouthier and Matthew Kfoury -- for an additional terms of three years.

8. Adjournment

Mr. Nute moved to adjourn. Ms. Baumgartner seconded the motion, which was adopted unanimously. The meeting was adjourned at 4:25 p.m. The next meeting of the Board will be January 22, 2024 at 2:00 p.m.