

Residential Ratepayers' Advisory Board

July 25, 2022, Meeting Minutes

***Present for the Board:***

Dana Nute, Vice-Chair  
Yolanda Baumgartner  
Ryan Clouthier  
James Garrity  
Neal Kurk  
Kenneth Mailloux  
Claira Monier

***Present for the OCA:***

Donald Kreis  
Jamie Breen  
Josie Gage  
Julianne Desmet  
Maureen Reno

**Guest Speakers:** Director of Economics and Finance Josie Gage and Director of Rates and Market Policy Maureen Reno of the Office of the Consumer Advocate and Chief Financial Officer Bob Hevert of Unutil.

**Public:** John Tuthill

Mr. Nute called the meeting to order at 2:02 p.m. Introductions were made around the room.

**1. Minutes of January 24<sup>th</sup> Meeting**

Mr. Nute moved to approve the minutes. Mr. Garrity seconded the motion. Board members agreed unanimously.

**2. Presentation by Ms. Gage, Ms. Reno and Mr. Hevert on Return on Equity**

Ms. Gage, Ms. Reno and Mr. Hevert shared the attached slide presentation and answered questions throughout, giving insight from the regulator's, expert witness's and the utilities' perspectives respectively. Ms. Gage discussed the basics of investment risk and expected return, giving an overview of the rate of return in utility ratemaking. Ms. Gage shared important legal foundations in the U.S. Constitution and in Supreme Court *Hope* and *Bluefield* cases that create safeguards for utilities that allow for just and reasonable rates. Ms. Gage explained a company's rate base, financial capital and capital structure. All speakers discussed how the rate of return gets created and used and the significance and importance of sources of capital for utilities. Ms. Reno explained what is a "fair" rate of return (ROR) and what criteria determinations are used to get that fair rate of return and why it can be so hotly debatable. These rates need to be fair to the utilities and to the rate payers. Ms. Reno discussed the following econometric models to determine rate of return: Discounted Cash Flow, Capital Asset Base Model and Risk Premium Model. Although some consultants and analysts only use one or two of the models to determine ROR, it's usually best to use more than two of them. Other conditions that should be considered when determining ROR are the current market conditions and possible risks, as well as bond ratings. These can be found in the 30-year U.S. Treasuries, S&P 500 and in specific stock market portfolios relating to utilities. Speakers agreed that a consultant's or an analyst's knowledge and experience plays a role in the determinations of ROR as well.

**3. Case Update**

The Board received a current Activity List prior to the meeting, Mr. Kreis touched briefly upon the following dockets:

- **DE 21-020** Eversource-Consolidated Joint Petition to Approve Pole Asset Transfer: awaiting order
- **DG 21-131** Northern Utilities, Inc. 2021-2022 Cost of Gas: on July 21, NUI filed Withdrawal of Proposed Cost of Gas Adjustment

**4. Legislative Update**

Mr. Kreis informed the Board during this time of year, the General Court is mostly inactive. He expanded on HB 549, which was signed into law in February 2022 by Governor Sununu. He explained that no less than 20 percent of funds collected for energy efficiency shall be expended on low-income energy efficiency programs, and an electric utility cannot fall below achieving 65 percent of its energy savings from reduced usage of electricity as opposed to other fuels. The Public Utilities Commission (PUC) issued an order applying the 65 percent requirement to both annual and lifetime savings. This, explained Mr. Kreis, may drastically curtail programs made available to residential customers, particularly given that 20 percent of the budget is reserved to low-income programs by statute. These limitations will affect the next triennial plan that needs to be submitted to the PUC by July 1, 2023. For example, funding for home performance and weatherization programs for electric residential customers will be seriously impacted.

**5. Adjournment**

Mr. Nute moved to adjourn. Mr. Clouthier seconded the motion, which was adopted unanimously by the Board. The meeting was adjourned at 4:13 p.m.