New Hampshire Public Utilities Commission

BIENNIAL REPORT

July 1, 2011 – June 30, 2013

Margaret Wood Hassan
Governor

Raymond S. Burton
Executive Councilor
District 1

Colin Van Ostern
Executive Councilor
District 2

Christopher T. Sununu
Executive Councilor
District 3

Christopher C. Pappas
Executive Councilor
District 4

Debora B. Pignatelli
Executive Councilor
District 5

Her Excellency, Governor Margaret Wood Hassan
And The Honorable Executive Council:

Pursuant to RSA 363:24, we are pleased to submit the biennial report for the New Hampshire Public Utilities Commission for fiscal years 2012 and 2013.

Amy L. Ignatius	Michael D. Harrington	Robert R. Scott
Chairman	Commissioner	Commissioner

December 1, 2013

MISSION

To ensure that customers of regulated utilities receive safe, adequate and reliable service at just and reasonable rates.
To foster competition where appropriate.
To provide necessary customer protection.
To provide a thorough but efficient regulatory process that is fair, open and innovative.
To perform our responsibilities ethically and professionally in a challenging and supportive work environment.

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HISTORY

The New Hampshire Public Utilities Commission has its origins in an 1838 statute that provided for appointment of commissioners with limited powers regarding railroads in each New Hampshire County. This was the first attempt by any state to regulate transportation. The County boards were consolidated into the State Board of Railroad Commissioners in 1844, the first such board in the nation.

In 1911, the New Hampshire Legislature enacted comprehensive legislation that instituted a new system for the establishment and regulation of public utilities and railroads in the state. As a result, the Public Service Commission was created as a state tribunal and given broad supervisory and regulatory powers over public utilities. The name Public Service Commission was changed in 1951 to Public Utilities Commission. In 1979, the Legislature made the commissioners full-time and generally amended the structure and guidelines of the Commission.

In 1985, the Department of Transportation (DOT) was established and took over the Commission's transportation related functions. Various amendments to RSA 363 in the 1980s removed the Office of the Consumer Advocate (OCA) from the direct control of the Commission, and made it independent of the Commission except for shared use of business office and support functions.

In 2004, the Commission moved to new office space at the Walker Building on the Governor Hugh J. Gallen State Office Park South campus.

The Commission established a Sustainable Energy Division in 2008 to administer the rebate and competitive grant programs established pursuant to the State's renewable portfolio standards statute. The Sustainable Energy Division also certifies new solar, wind and other renewable resource generators to produce and trade Renewable Energy Credits, as well as other aspects of New Hampshire's new focus on renewable energy sources.

An Energy Efficiency & Sustainable Energy Board was established pursuant to RSA 125-O:5-a, effective October 1, 2008, "to promote and coordinate energy efficiency, demand response, and sustainable energy programs in the state." Like the OCA, the EESE Board is administratively attached to the Commission.

Changing Focus with Time

Commission cases traditionally have focused on rates, financings, and franchises, with tariffs governing nearly all aspects of utility service. The granting of exclusive franchises to public utilities effectively results in monopoly power over customers. Regulation serves as a substitute for market forces to constrain that power.

In 1996, the Legislature enacted RSA 374-F, which initiated the restructuring of the electric utility industry in New Hampshire. The goal of restructuring was to reduce costs and harness the power of competitive markets by introducing customer choice to the generation segment of the electric industry. The development of renewable energy resources and the introduction of competitive suppliers and aggregators in New Hampshire's energy market have expanded the scope of the Commission's regulatory purview from its traditional focus on rates, financings and franchises.

Competition in the telephone industry has also made inroads in the New Hampshire

market, first with competitive toll providers, followed by competitive local exchange providers. With the advance of competition into traditional utility services, the work of the Commission has assumed a greater focus on wholesale relationships between providers and managing the interactions of incumbents and new players entering the field. Legislative action in 2012 and 2013 removed regulatory oversight over Voice over Internet Protocol (VoIP) providers and services, and in other ways reduced regulation over telecommunications.

The Commission now plays a leading role in the state's Advisory Council on Emergency Preparedness and Security, created in the aftermath of 9/11. In addition, the Commission provides support to the Governor as well as Homeland Security and Emergency Management during major storms and other events that disrupt utility service. Utility infrastructure safety, emergency response, and cyber security have become critical issues on the Commission's agenda in state, regional, and federal forums.

Increasingly, the Commission has been occupied with issues in the regional energy markets. Often a decision made at the federal or regional level will have significant financial impacts on New Hampshire ratepayers. By advocating for New Hampshire's interests at the regional and national level we have been able to avoid millions of dollars that certain policy and market initiatives would have imposed on New Hampshire.

COMMISSIONERS

The three New Hampshire Public Utilities Commissioners are appointed for six-year terms by the Governor, subject to Executive Council approval. The Commissioners' terms are staggered so that one term expires every odd-numbered year. The Governor, with Executive Council approval, appoints one of the Commissioners as Chairman. One Commissioner must be an attorney and at least one of the remaining Commissioners must have experience in engineering, economics, accounting or finance.

AMY L. IGNATIUS

Chairman March 2012 to present

Amy L. Ignatius was appointed Commissioner in July 2009 and confirmed as Chairman in March 2012. Her term ends on July 1, 2015. In addition to her duties as Chairman, she serves as Vice-Chairman of the Site Evaluation Committee and Chair of the Nuclear Decommissioning Finance Committee. She is a member of the National Association of Regulatory Utility Commissioners (NARUC) Committee on Telecommunications and the Interstate Telecommunications Relay Service Advisory Council. She is also Treasurer of the New England Conference of Public Utilities Commissioners (NECPUC).

Chairman Ignatius is a 1977 graduate of the University of Wisconsin with a Bachelor of Arts in American History. She holds a Juris Doctor Degree from the University of Virginia School of Law. Chairman Ignatius served three years as Director of the New Hampshire Office of Energy and Planning and previously served as General Counsel to the Commission and Executive Director of NECPUC. She also held positions within the New Hampshire Department of Justice and practiced administrative and regulatory law in Manchester, New Hampshire.

MICHAEL D. HARRINGTON

Commissioner March 2012 to present

Michael D. Harrington was appointed Commissioner in March 2012. His term ended July 1, 2013 but continues to serve on hold-over status at the request of the Governor. He has served as a New Hampshire Manager of the New England States Committee on Electricity and a member of the National Association of Regulatory Utility Commissioners (NARUC) Committee on Electricity. As a Senior Policy Advisor for the Commission from January 2006 to March 2012, Commissioner Harrington was responsible for regional electric issues and interactions with the Independent System Operator of New England and the Federal Energy Regulatory Commission.

Commissioner Harrington graduated from the University of Lowell with a B.S. in Nuclear Engineering. He has a background in nuclear engineering, with over 25 years' experience in the nuclear industry in management and engineering positions, including senior positions at the Seabrook Nuclear Power Plant, Marble Hill Nuclear Plant and the Norfolk Naval Shipyard. Commissioner Harrington was a Member of the New Hampshire House of Representatives and the Science, Technology and Energy Committee (2000-2004).

ROBERT R. SCOTT

Commissioner March 2012 to present

Robert R. Scott was appointed Commissioner in March 2012. His term ends June 30, 2017. He is one of two New Hampshire representatives to the Regional Greenhouse Gas Initiative (RGGI) and serves on the RGGI, Inc. Board of Directors. He serves as co-chair of the Northeast Energy Efficiency Partnerships (NEEP) Evaluation, Measurement and Verification Forum Steering Committee. He is also a New Hampshire Manager of New England States Committee on Electricity (NESCOE) and a co-chair of the New England Conference of Public Utilities Commissioners (NECPUC) subcommittee on cyber security. Commissioner Scott is a member of the National Association of Regulatory Utility Commissioners (NARUC) Committee on Critical Infrastructure as well as the Committee on Energy Resources and the Environment.

Commissioner Scott graduated from Lehigh University with a Bachelor of Science in Mechanical Engineering. He served as Director of the Air Resources Division of the Department of Environmental Services and worked in private industry. Commissioner Scott was a Munitions and Aircraft Maintenance Officer in the active duty US Air Force and is currently Commander of the 265th Combat Communications Squadron of the Maine Air National Guard.

THOMAS B. GETZ

Chairman October 2001 through January 2012

Thomas B. Getz was appointed Chairman on October 11, 2001 and reappointed June 13, 2007. He served through January 2012. In addition to his duties as Chairman of the Commission, he served as Chairman of the Nuclear Decommissioning Finance Committee and Vice-Chair of the Site Evaluation Committee. He served on the NARUC Board of Directors and was President of the New England States Committee on Electricity (NESCOE).

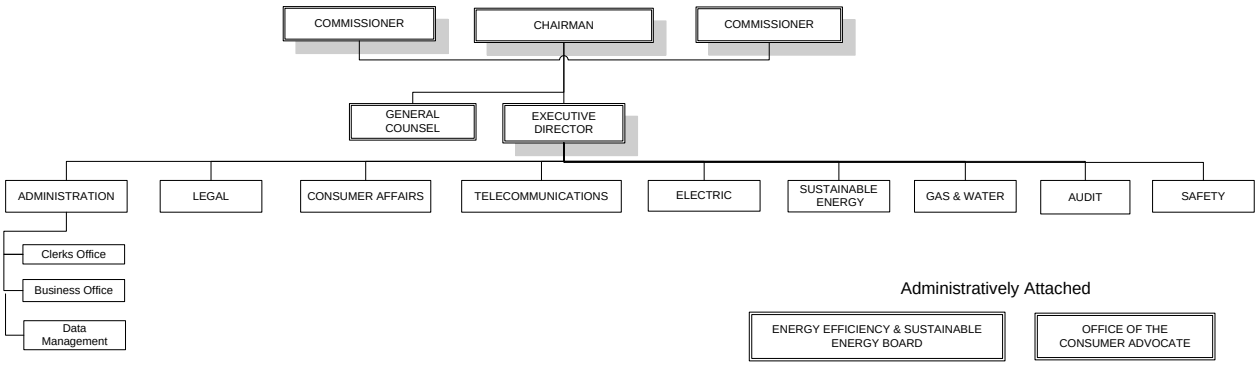
CLIFTON C. BELOW

Commissioner December 2005 through January 2012

Clifton C. Below was appointed Commissioner on December 27, 2005. His term ended July 1, 2011 but continued serving on hold-over status at the request of the Governor through January 2012. He served as Co-Chair of the steering committee of the Regional Evaluation, Measurement and Verification Forum, a Vice Chair of the Energy Resources and Environment Committee of NARUC, and as President of NECPUC. He also served as one of two New Hampshire representatives in the Regional Greenhouse Gas Initiative (RGGI) and as a Vice Chair of the Board of Directors of RGGI, Inc.

ORGANIZATIONAL CHART

PUBLIC UTILITIES COMMISSION



Office of the Commission	**Debra A. Howland**, *Executive Director*
General Counsel	**F. Anne Ross**, **Esq.**, *General Counsel*
Administration	**Lynn Fabrizio**, **Esq.**, *Director & Assistant Executive Director*
Legal Division	**David J. Shulock**, **Esq.**, *Director*
Consumer Affairs	**Amanda O. Noonan**, *Director*
Safety Division	**Randall S. Knepper**, **P.E.,** *Director* **Robert B. Wyatt**, *Assistant Director*
Telecommunications Division	**Kathryn M. Bailey**, **P.E**., *Director* **Michael Ladam**, *Assistant Director*
Electric Division	**Thomas C. Frantz**, *Director* **Steve Mullen**, **C.P.A.**, *Assistant Director* **George McCluskey**, *Assistant Director*
Sustainable Energy Division	**Jack K. Ruderman**, **Esq.**, *Director*
Gas & Water Division	**Mark A. Naylor**, *Director* **Stephen P. Frink**, *Assistant Director*
Audit Division	**Karen J. Moran**, **C.B.A.**, *Chief Auditor*

COMMITTEES

Created by the New Hampshire General Court on which Commission members serve.

ADVISORY COUNCIL ON EMERGENCY PREPAREDNESS AND SECURITY

Under RSA 21-P:48, the Chairman or designee is a member of the Advisory Council on Emergency Preparedness and Security. The Director of Safety has been designated to represent the Commission. The Council advises the Governor on issues relating to the state's ability to respond to natural and man-made disasters, and the preparation and maintenance of a state disaster plan.

ENERGY EFFICIENCY AND SUSTAINABLE ENERGY BOARD

The Chairman or designee is a member of the Energy Efficiency & Sustainable Energy (EESE) Board established pursuant to RSA 125-O:5-a. The Director of the Commission's Sustainable Energy Division has been so designated. The EESE Board was created by the legislature to promote and coordinate energy efficiency, demand response, and sustainable energy programs in the state. The EESE Board is administratively attached to the Commission. The Chairman appoints 3 voting Board members representing the non-profit sector and several nonvoting members who represent each utility energy efficiency program and particular business sectors, namely energy efficiency companies, sustainable or renewable energy sales and installation, and the investment community.

ENHANCED 911 COMMISSION

The Chairman or designee is a member of the Enhanced 911 (E911) Commission created by RSA 106-H:3. The Director of the Telecommunications Division has been designated. The E911 Commission maintains a coordinated state-wide enhanced 911 system to improve emergency communications and response time to emergency calls for law enforcement, fire, medical, rescue and other emergency services.

NUCLEAR DECOMMISSIONING FINANCING COMMITTEE

The Chairman serves on the Nuclear Decommissioning Financing Committee (NDFC) pursuant to RSA 162-F and has been elected Chair of the Committee. The NDFC determines the projected costs of decommissioning the Seabrook nuclear power plant and assures the adequacy of the fund to meet those costs.

SITE EVALUATION COMMITTEE

The Commissioners and an engineer designated by the Commission, pursuant to RSA 162-H, are members of the Site Evaluation Committee (SEC). The Chairman serves as Vice-Chair of the SEC. The SEC evaluates petitions for certification to construct and operate energy facilities. Other agencies on the SEC include DES, DOT, DRED, DHHS, Fish and Game, Historic Resources and OEP.

TELECOMMUNICATIONS PLANNING AND DEVELOPMENT ADVISORY COMMITTEE

The Chairman or designee is a member of the Telecommunications Planning and Development Advisory Committee created under RSA 12-A:46. The Director of the Telecommunications Division has been designated. The Advisory Committee works with other state agencies, telecommunications

providers and users, to develop a state-wide plan for telecommunications service.

OTHER COMMITTEES

Commissioners and Staff participate in a number of national and regional organizations with committees that address a variety of issue within the Commission's purview. Those organizations (with their associated committees) include the New England States Committee on Electricity (NESCOE), the New England Conference of Public Utilities Commissioners (NECPUC), the National Association of Regulatory Utility Commissioners (NARUC), the National Association of Pipeline Safety Representatives (NAPSR), and the Eastern Interconnection States' Planning Council (EISPC).

LEGISLATIVE COMMITTEE ASSISTANCE

The Commission provides information, when asked, to the State's Legislators, primarily through the House Science, Technology and Energy Committee, the Senate Energy and Natural Resources Committee, and relevant joint legislative oversight committees. In addition, the Commission, when asked, participates in legislative studies related to areas within its purview, including a recent study launched to examine siting criteria for energy facilities (SB99-2013).

COMMISSION FINANCES

Pursuant to RSA 363-A, the Commission is funded primarily by an assessment on the utilities it regulates. The assessment is calculated by using the gross New Hampshire utility revenue of all utilities and allocating the budget estimate of the Commission and the Office of Consumer Advocate to each utility in direct proportion as the revenues relate to the total utility revenues as a whole. With the evolution of non-regulated or lightly regulated participants in the energy and telecommunications markets, the Commission and service providers have been exploring alternative ways to allocate Commission expenses.

In addition, approximately 70% of the Commission's Safety Division, which is responsible for enforcing pipeline safety, is federally funded. The Commission administers both the Energy Efficiency Fund (formerly the Greenhouse Gas Emissions Reduction Fund) and the Renewable Energy Fund. Both of these funds are non-lapsing, special funds. The Energy Efficiency Fund supports the Core energy efficiency programs offered by the electric and gas utilities, and provides rebates to default electric ratepayers. The Renewable Energy Fund supports energy efficiency and renewable energy initiatives in New Hampshire through competitive grants and rebates.

In October 2009, the Commission was awarded grant funds in the amount of $783,538 under the American Recovery and Reinvestment Act (ARRA) from the United States Department of Energy. With the ARRA funds, the Commission hired 3 electric specialists for varying terms from January 2010 through September 2012. The ARRA-funded staff worked on SmartGrid issues, regional and federal energy policies and renewable energy project development.

In FY 2013, the Commission regulated 157 utilities with gross revenues exceeding $2.2 billion. The Commission is authorized 70 full-time employees including the commissioners. The Office of Consumer Advocate is authorized five full-time employees and one part time employee.

COMMISSION EXPENDITURES

CLASS DESCRIPTION	CLASS	EXPENSES [1]	
		ACTUAL FY 2012 EXPENSES	ACTUAL FY 2013 EXPENSES
Salaries	10	4,764,367	4,437,427
Current Expense	20	137,641	125,949
Rent & Lease – Other	22	12,920	12,820
Maintenance – Other	24	1,784	1,708
Organizational Dues	26	57,689	65,512
Transfers to OIT	27	432,918	427,438
Transfers to General Services	28	318,026	342,377
Equipment	30	23,196	4,172
Indirect Costs	40	106,057	50,700
Audit Fund Set-Aside	41	452	367
Consultants	46	99,884	77,407
Transfer to Other Agencies	49 [2]	402,582	389,275
Other Personnel Services	50 [3]	14,564	14,100
Westlaw	57	34,005	31,054
Benefits	60	1,992,184	2,056,257
Unemployment	61	0	0
Workers' Compensation	62 [4]	23,746	2,687
Retirees Health Insurance	64	231,994	232,583
Educational Training	66	1,781	3,777
Travel (In State)	70	9,683	8,977
Grants - Non-Federal	73 [5]	5,919,038	9,998,077
Travel (Out of State)	80	47,436	59,921
Litigation Expense	233[6]	34,209	36,968
Total		14,666,158	18,379,554

Notes:

[1] Source of Information - NH First FY 2012 Closing Report dated July 19, 2012 &
FY 2013 Closing Report dated July 20, 2013.
It does not include any ARRA Grant, OEP ARRA MOA or Special Assessment Expenses.

[2] Includes funds transferred to the Department of Environmental
Services for costs associated with administering RGGI.

[3] Includes the salary expense for part-time staff assigned to the Office of the Consumer Advocate..

[4] This expense is due to a significant work-related injury sustained by an employee.

[5] Amount of grants awarded by the Sustainable Energy Division.

[6] Litigation costs of the Office of the Consumer Advocate.

COMMISSION PROCEEDINGS

Number Of Dockets

	FY 2012	FY 2013
Electric	88	99
Natural Gas	51	45
Rulemaking	2	8
Sewer	2	6
Steam	2	6
Telecommunications	107	57
Water	18	21
Sustainable Energy	50	140
Total	**320**	**382**

Number Of Decisions

	FY 2012	FY 2013
Electric	137	154
Natural Gas	51	43
Rulemaking	3	4
Sewer	3	6
Steam	4	5
Telecommunications	105	55
Water	38	43
Sustainable Energy	50	140
Total	**391**	**450**

Number Of Official Proceedings

	FY 2012	FY 2013
Pre-Hearing Conferences	17	26
Hearings	62	50
Rulemaking Hearings	2	3
Pub. Statement Hearings	0	9
Commission Meetings	7	9
Total	**88**	**97**

Annual Audits

	FY 2012	FY 2013
Rate Case/Expense Audits	2	**7**
Step Adjustment Audits	2	1
Major Storm Audits	4	1
Core Energy Efficiency Audits	4	6
Electric Assistance Program Audits	8	8
Cost of Gas/Environmental Cost Audits	8	11
Water-Sewer-Gas Desk Audits	23	13
Gas-Demand Side Management Audits	1	
Merrimack Station Clean Air Project		1
RGGI	1	
Renewable Energy Fund Audit	1	
Total	**54**	**48**

PERFORMANCE MEASURES

REHEARINGS AND APPEALS

			Appeals To The New Hampshire Supreme Court				
Year	**Final Orders Issued**	**Motions for Rehearing**	**Appeals**	**Upheld**	**Affirmed in Part, Denied in Part**	**Remanded**	**Reversed**
2012	134	4	1	1	1		
2011	125	9	1	1	1		
2010	128	3	3	2		1	
2009	132	12	2	1			1
2008	114	3					
2007	95	4					
2006	147	6					
2005	156	5	3	2	1		
Total	**1031**	**46**	**10**	**7**	**1**	**1**	**1**

TELECOMMUNICATIONS TARIFFS

	Number of Tariff Filings RSA 378:6, IV	Average Number of Days to Complete Review	Percent Met Statutory Deadline
2009	11	29	91%
2010	11	28	100%
2011	13	26	100%
2012	54	28	99%

TELECOMMUNICATIONS SPECIAL CONTRACTS

	Number of Special Contract Filings RSA 378:18-b	Average Number of Days to Complete Review	Percent Met Statutory Deadline
2009	44	15	100%
2010	72	18	99%
2011	53	18	100%
2012	11	22	100%

COMPETITIVE NATURAL GAS SUPPLIER REGISTRATIONS

APPLICATION PROCESSING STATISTICS

	2011		2012	
# days	**Count**	**%**	**Count**	**%**
<=30	6	60%	0	0%
<=60	3	30%	0	0%
<=90	1	10%	0	0%
>90	0	0%	3	100%
Total	**10**	**100%**	**3**	**100%**

COMPETITIVE NATURAL GAS AGGREGATOR REGISTRATIONS

APPLICATION PROCESSING STATISTICS

	2011		2012	
# days	**Count**	**%**	**Count**	**%**
<=30	5	31%	6	20%
<=60	8	50%	15	50%
<=90	1	6%	4	13%
>90	2	13%	5	17%
Total	**16**	**100%**	**30**	**100%**

COMPETITIVE ELECTRIC SUPPLIER REGISTRATIONS

APPLICATION PROCESSING STATISTICS

	2011		2012	
# days	**Count**	**%**	**Count**	**%**
<=30	3	11%	1	14%
<=60	14	52%	1	14%
<=90	4	15%	3	43%
>90	6	22%	2	29%
Total	**27**	**100%**	**7**	**100%**

COMPETITIVE ELECTRIC AGGREGATOR REGISTRATIONS

APPLICATION PROCESSING STATISTICS

	2011		2012	
# days	**Count**	**%**	**Count**	**%**
<=30	1	6%	5	14%
<=60	5	31%	21	57%
<=90	6	38%	10	27%
>90	4	25%	1	3%
Total	**16**	**100%**	**37**	**100%**

Supplier applications are subject to a higher level of scrutiny than are aggregator applications. Suppliers are required to disclose each of the aggregators they are using, and if the aggregator entities are not already registered with the Commission, supplier application approvals are withheld until the aggregator entities came into compliance with the Commission's Puc 3000 rules. As a result, the review process for supplier applications can be suspended until all issues are resolved. Once applications are complete, approvals typically follow within a matter of days.

RENEWABLE ENERGY SOURCE ELIGIBILITY APPLICATIONS

	Number of Eligibility Applications Received RSA 362-F:11, I	Number of Eligibility Applications Approved	Average Number of Days to Complete Review of Completed Applications	Percent Met Statutory Deadline
2009	82	94	36	99.9%
2010	89	91	26	100%
2011	35	30	34	91.17%
2012	94	91	28	99.98%

ENERGY CODE APPLICATIONS
2011 - 2012

	Number of Code Applications Approved	Benchmark	Actual %
2011	**944**		
	Within 2 Days	80%	93%
	Within 7 Days	90%	100%
	Within 15 Days	100%	100%
2012	**990**		
	Within 2 Days	80%	94%
	Within 7 Days	90%	100%
	Within 15 Days	100%	100%

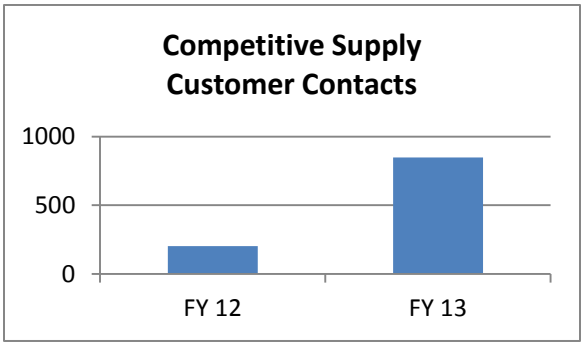
CONSUMER AFFAIRS

The Consumer Affairs Division assists consumers in the resolution of informal complaints and provides information to help consumers understand their rights and responsibilities as customers of competitive energy providers and regulated utilities. The Division tracks consumer calls, letters and e-mails watching for trends in complaints which may indicate service quality, regulatory compliance or consumer protection issues that require Commission attention. The Consumer Affairs Division also educates consumers and other public interest groups in an effort to reduce disputes and to promote the public's understanding of utility services and practices, thereby assisting them in making informed choices about utility service.

CONSUMER INQUIRIES

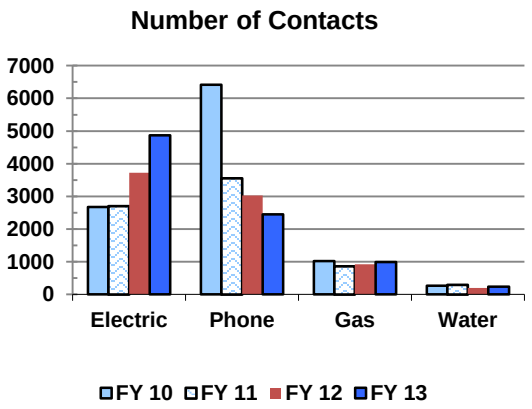
The Consumer Affairs Division participates in monthly calls with other states, sharing information about consumer protection issues and receiving valuable information about complaint trends and consumer issues other states are seeing. The information alerts us to potential problem behavior and allows us to be more responsive to consumer inquiries.

During the past biennium, residential choice for electric energy supply has driven a large number of calls to the Consumer Affairs Division. While delivery of the electricity used by residential customers is still fully regulated by the Commission and provided by the local electric utility, competitive suppliers of electricity have become very active in the residential market, using direct mail, television, radio and telemarketing to enroll residential customers in competitive electric supply services. Consumer Affairs staff responded to close to 1,000 calls, emails and letters regarding competitive electric supply during the past biennium.

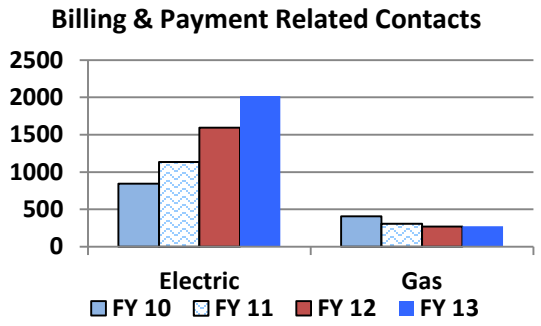


The number of telephone related contacts dropped when compared to the 2009-2011 biennial period primarily as a result in the decline in consumer issues related to the sale of Verizon to FairPoint.

Contacts related to the unauthorized change of a customer's telecommunications provider, or slamming, continue to be very low with less than 20 calls received during this past biennial period. However, as competition in the residential electric supply market grows, the Consumer Affairs Division is seeing slamming complaints for the first time in the electric industry.



During the past biennium, the number of calls handled by the Consumer Affairs Division related to billing and payment concerns continued to grow, particularly among customers of electric utilities. Many of the calls involved customers with medical conditions who were experiencing difficulty paying their bills. The Consumer Affairs Division staff has devoted a considerable amount of time to these customers, helping them to understand the various resources available to them.



CONSUMER EDUCATION

Educating consumers about their utility services and their rights and responsibilities as utility customers is an ongoing effort of the Commission. The Commission makes use of press releases and interaction with consumer groups and individual consumers to help consumers become better informed about their utility services. The Consumer Affairs Division participates in a series of statewide workshops each fall with social service agencies to share information about utility service changes and how those changes can affect their clients. It also establishes contacts between the social service agencies and the Consumer Affairs Division that allows everyone to better assist consumers. While these agency meetings have historically been tailored to electric utility issues, natural gas utilities were included in these sessions during the past biennium.

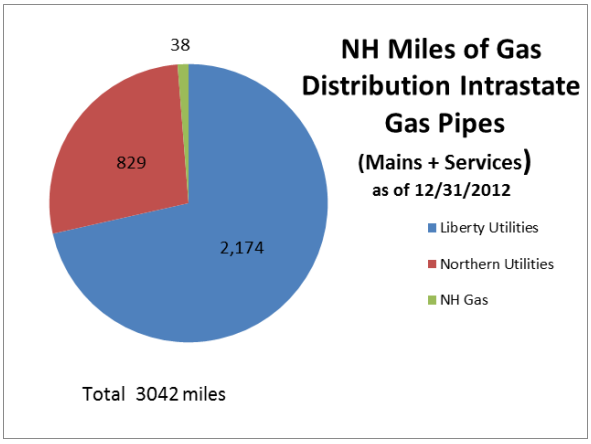
ELECTRIC ASSISTANCE PROGRAM

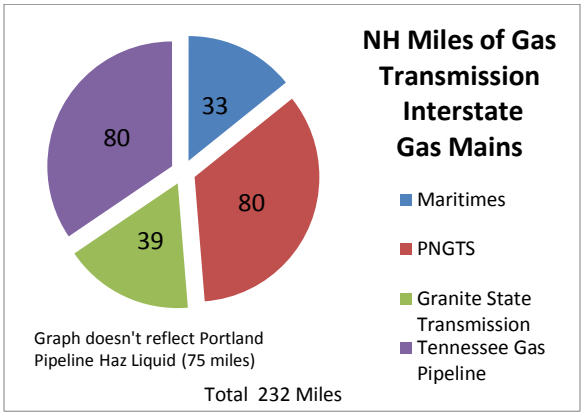
The Commission's Consumer Affairs Director oversees the administration of a low income energy assistance program that is funded through the system benefits charge authorized under RSA 374-F:4, VIII (c). Customers of Granite State Electric d/b/a/ Liberty Utilities, New Hampshire Electric Cooperative, Public Service Company of New Hampshire and Unitil Energy Systems support the program through a 1.5 mil or $0.0015 per kWh charge on electric bills.

During the past biennium, a total of $26,414,558 in benefits were received by income eligible households participating in the electric assistance program. A monthly average of 33,228 households were enrolled in the program during that time.

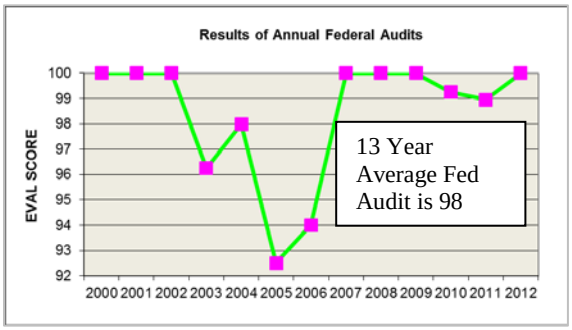
SAFETY & SECURITY

The Safety Division oversees more than 3,000 miles of intrastate pipelines delivering gas to more than 117,500 customers within 52 communities in New Hampshire. Two natural gas utilities, two transmission operators, over 40 liquid propane operators, one propane-air distribution company, one master meter operator, and two methane operators are inspected at least once per biennium, although most are inspected annually. The Division also administers 24 natural gas inspection modules and conducts rigorous inspections with a strong emphasis on training and education.





The U.S. Department of Transportation, Pipeline and Hazardous Materials Safety Administration's (PHMSA's) Office of Pipeline Safety audits the Division's Safety Program each year and consistently awards the Division high scores. The Safety Program received a 98 out of a possible 100 during the latest evaluation for calendar year 2012. Maintaining a highly qualified and knowledgeable inspection staff is a critical element for a high rating.

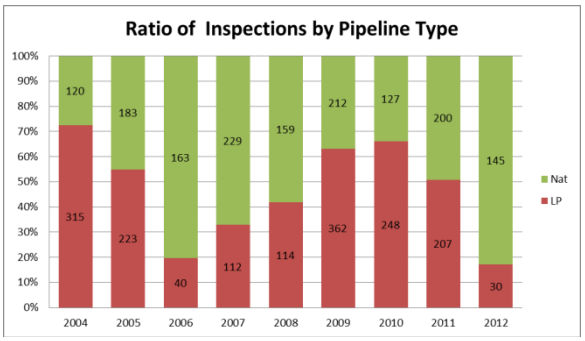


In December 2006, the U.S. Congress authorized an increase in the federal share of funding for pipeline safety programs, from the current maximum of 50/50 federal/state cost sharing to a maximum of 80/20 federal/state cost sharing. 2012 marked the first year New Hampshire has attained reimbursements at the maximum permissible level. Federal projections indicate that New Hampshire will continue to receive federal funds to cover approximately 75% of the program's cost.

INSPECTIONS

The Safety Division is responsible for monitoring and inspecting construction, operations, maintenance and safety practices for over 800 jurisdictional New Hampshire gas and liquid petroleum (LP) systems. In addition, three liquefied natural gas facilities are inspected annually. Approximately 90 inspections of liquid propane facilities and 330 inspections of natural gas operators involving compliance with the federal Natural Gas Pipeline Safety Act were conducted during the biennium.

Comprehensive training is required of all inspectors, with a minimum of 10 weeks per inspector regarding distribution and transmission safety practices, investigative techniques, and simulated exercises of potential field situations. Within the last biennium, the Safety Division staff has completed safety training regarding transmission and distribution pipelines, including Pressure Regulation, Plastic Materials, Failure Investigations, Distribution Integrity Management, Public Awareness, Gas Pipeline Safety Evaluations and Root Cause Analysis. The Safety Division also conducts training sessions for natural gas operators and LP operators, and provides technical assistance to the State Fire Marshall's office.



New Hampshire has two relatively new landfill gas pipelines that transport renewable methane gas: the UNH Eco Line from Rochester to Durham, which was completed in 2009 and is used for cogeneration applications at the UNH main campus, and the Androscoggin Valley Regional Refuse Disposal District pipeline, which began transporting gas in 2012 from the Mt. Carberry landfill. The Androscoggin Valley pipeline is used to supplement the fuel used at Gorham Paper and Tissue Company in industrial applications. The Safety Division inspected and oversaw the implementation of each of these transmission pipelines.

RULEMAKINGS INVOLVING GAS PIPELINE SAFETY

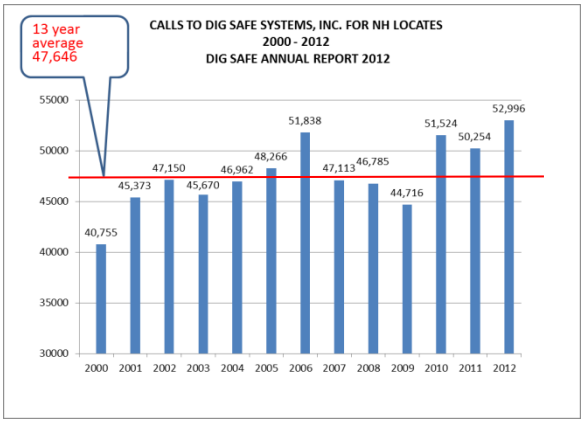
In May 2013 the Commission updated its administrative rules involving pipeline safety. Notable changes included the following:

- Inclusion of landfill pipelines under the rules
- Modified emergency notification criteria
- A uniform leak grading system
- Welding qualification intervals
- Requirements for destructive testing of welds
- Odorant injection requirements and specified locations for odorant tests
- Labeling requirements for meters
- Establishment of odorometers as sole testing method for LPG and Landfill Pipelines
- Calibration requirements for all operational equipment
- Meter identification requirements
- Telemeters installation requirements for systems feeding 150 customers or more

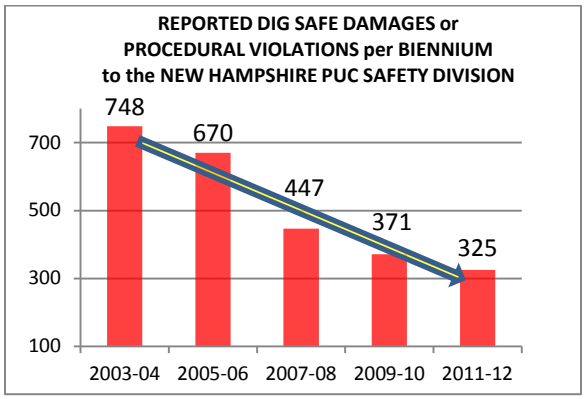
UNDERGROUND DAMAGE PREVENTION

The Safety Division administers the Underground Utility Damage Prevention Program to ensure public safety and minimize

damage to underground facilities. Third party excavation continues to be the number one cause of damages to underground facilities in New Hampshire and nationally. New Hampshire generated a historic record of nearly 53,000 calls into the Dig Safe center in 2012, an 11% increase over a 13 year average, attributable in large part to an increased number of economic stimulus projects in New Hampshire.



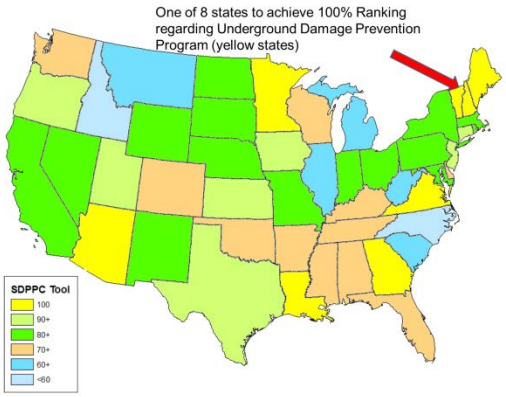
The Safety Division inspects construction sites for compliance, investigates reported damage, and issues citations when violations are identified. In the previous biennium, the Division processed 371 reports of damage to underground facilities. During the recent biennium, reported incidents dropped by 12%. In processing these reports, 76 conferences involving contractor and utility disputes were conducted. Other matters were resolved without need of conferences.



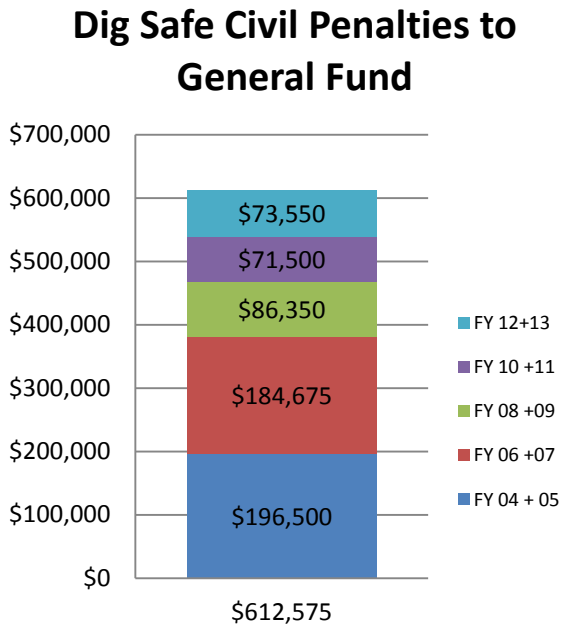
The Safety Division sponsored a number of Dig Safe damage prevention seminars and education opportunities throughout the state during the Biennium. Three types of training are provided:

- Seminars geared toward general contractors, presented in conjunction with utilities;
- Trainings conducted at company headquarters upon request; and
- Training conducted at Commission offices to address with civil penalties and specific contractor violations.

The Safety Division was recognized by PHMSA in its most recent assessment as one of eight states to achieve a perfect score for its Underground Utility Damage Prevention Program for nine basic elements, including enhanced communication between operators and excavators, partnership in public and employee education and training, and fair and consistent enforcement of the law.



Enforcement of the Underground Utility Damage Prevention Program remains a high priority for the Safety Division. Civil penalties totaling more than $73,500 were received over the two year period, all of which were applied to the State's General Fund. Educational training for contractors is also conducted by staff in lieu of civil penalties, totaling an equivalent value of $20,000. Since 2004, over $600,000 has been collected in civil penalties.



ENGINEERING AND SAFETY REVIEWS

The Safety Division internally reviewed 61 petitions from utilities to install facility crossings over public waters and State-owned land during the biennium. The Division's reviews assisted the Commission in determining whether such crossings were necessary to meet reasonable requirements of service to the public and whether they conformed to applicable safety codes. The Division identified potential negative impacts upon the public, and saved petitioners and ratepayers potential costs of special assessments.

Telecommunications	38
Electric	20
Gas	3
Total	**61**

EMERGENCY PREPAREDNESS AND SECURITY

An Emergency Preparedness and Security Team, headed by the Director of the Safety Division, participates in planning and coordination with the Department of Safety and Homeland Security and Emergency Management of New Hampshire. In accordance with the State Emergency Operations Plan, the Commission is the lead agency for Energy Support Functions and Co-Lead for Emergency Communications Support functions. Security Team members also actively participated in U.S. Department of Energy emergency response plan development and have attended training and participated in exercises related to energy emergencies on the Connecticut River including a simulated break of the Moore Dam.

The Safety Division participates in a critical infrastructure task force for identifying critical utility facilities within New Hampshire. The critical infrastructure task force is part of the Governor's Advisory Committee on Emergency Preparedness and Security. This is a multi-year effort that is currently evaluating interdependencies and vulnerabilities between seventeen identified sectors.

In 2012, the Safety Division's capabilities were augmented with the addition of an analyst with GIS technical skills. This has allowed the Safety Division to update and develop numerous GIS databases for various industry sectors. The Commission has been active in the Department of Safety's GIS effort to support *NH VIEW*, and partners with the Division of Emergency Services in sharing GIS layers, common symbology, maps and databases used throughout the Commission and by other state agencies. To date, GIS maps have been completed for natural gas, propane, electric, telecommunications, and cable TV. The mapping capabilities are particularly helpful in monitoring and assessing weather related utility outages.

Recently the Commission assigned the monitoring of utility cyber security efforts to the Safety Division. The Safety Division is in the midst of preparing a strategic framework in which it will conduct evaluations and analyses of cyber security efforts and issues. Concurrently, the Commission will be sharing with other New England states the services of a

consultant hired by the New England Conference of Public Utilities Commissioners to begin preliminary reviews of industry practices. In May 2013, New Hampshire hosted the six New England states in an initial meeting to begin the process of identifying cyber security practices of utilities.

STORM RESPONSE

The Safety Division is instrumental in around-the-clock emergency response efforts coordinated by the State of New Hampshire for local municipalities.

During the biennium New Hampshire experienced its 3rd, 4th, and 5th worst historical storms with widespread electrical outages. These were Tropical Storm Irene (August 2011), the October Nor'easter Snow Storm (October 2011), and Hurricane Sandy (October 2012). Outages ranged from 25% of customer base to 69% of customer base for one or more electric suppliers. The major electric utilities reported over $50 million in damages to infrastructure and restoration costs for the 3 storms combined.

In response to Governor Lynch's request, the Commission conducted an after action review of the October 2011 Nor'easter Snow Storm and produced a report with 48 findings and 27 recommended corrective actions.

TELECOMMUNICATIONS INDUSTRY

INTRODUCTION

In August 2012, state law deregulated most retail telephone utility service. Customers now rely on competition between telephone providers to promote low prices and reliable service. The most noticeable effects for many residential and business customers may be changes to the terms and conditions of service and the prices that some traditional, or incumbent, telephone companies offer. In the past, such changes could not be made without the review and approval of the Commission. Today, in most cases the Commission no longer has authority to approve or reject changes made by telephone utilities.

Rate increases from incumbent telephone companies for basic telephone service are limited to 10% per year, by law. Basic service is defined as dial tone, without any features such as Caller ID, or, voicemail, purchased without other services. For customers receiving a discount on their telephone bill through the federally funded Lifeline program, price increases for basic service can be no more than 5% each year. Telephone utilities are free to set or change all other retail rates as they see fit, without Commission review or approval.

In June 2013, the law was further amended to clarify that telephone services provided using Internet Protocol, such as the phone services offered by cable companies, are no longer considered public utility service. As a result, the Commission has no authority over these services.

The Commission still retains jurisdiction over wholesale telephone matters, such as access to utility poles and rights to interconnect with other networks.

MARKET STRUCTURE

Federal law draws a distinction between those telephone companies that were formed prior to the 1996 Telecommunications Act (the "incumbent local exchange carriers" or ILECs) and carriers that were formed after the Act (the "competitive local exchange carriers" or CLECs).

In New Hampshire the ILEC group includes one dominant carrier, FairPoint Communications, which owns the franchise and state assets originally held by the New England Telephone and Telegraph Company, a subsidiary of the original AT&T and later held by Verizon. The ILECs also include ten local telephone companies, five of which are now subsidiaries of TDS. Each ILEC in New Hampshire has a legal obligation to provide service to any residence or business in its franchise area.

ILECs must also provide certain services to their competitors to support a competitive telecommunications market. These services include making pole space available for cables, renting "local loop" wires that connect residential or business customers to the ILEC central office, renting "dark fiber" strands running between central offices, and establishing interconnection agreements (allowing the customers of a new company to place calls to and receive calls from the customers of an existing company). Some of these services must be offered by all incumbents; the requirement to share facilities such as local loops applies only to the larger companies that were once part of the national Bell System, including FairPoint.

ECONOMIC AND CONSUMER TRENDS

The telecommunications market in New Hampshire is served by many providers including landline ILEC and CLEC companies, cable companies offering phone service using Internet Protocol, companies who offer VoIP phone service over the Internet and cellular companies. According to data reported to the Federal Communications Commission (FCC) as of December 2011, there were 1.2 million wireless subscribers in New Hampshire and an additional 707,000 wireline subscribers. Nearly 38% of wireline subscribers were served by VoIP or cable providers. There has been a steady decline in the number of ILEC telephone lines in service, both nationally and in New Hampshire, as shown in Chart 1 below.

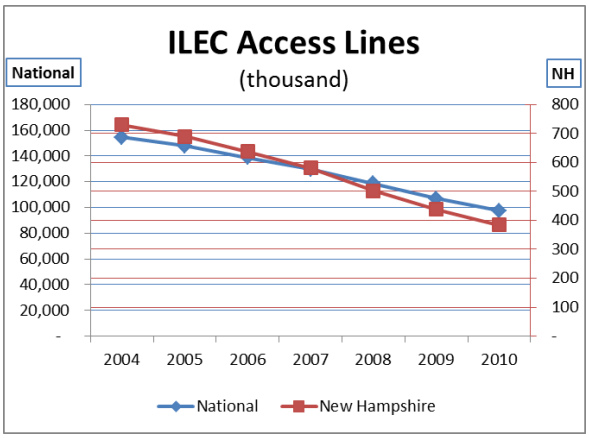


***Chart 1**: ILEC access lines in service (thousands), national and statewide. Sources: FCC for national data, annual reports to PUC for N.H. data.*

Some of the business lost by the ILECs in Chart 1 represents people who are still landline telephone users, but have switched to a bundled cable package. Chart 2 below shows the year-to-year changes in New Hampshire revenues reported to the Commission for both ILECs and cable CLECs. Two important trends are apparent: cable operators are gaining a growing share of the landline telephone service market from the ILECs; and the size of the overall landline voice market is declining.

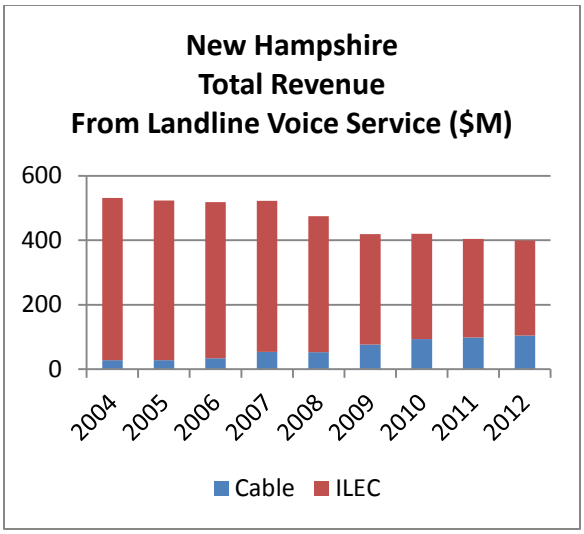


***Chart 2:** Cable operators are gaining a growing share of the landline voice market in New Hampshire, while that market is declining overall.*

All of these trends reflect shifts in subscribership among telephone technologies and providers, and show overall growth in usage of telephones. As a result, despite the drop in landline telephone usage, telephone subscribers and telephone numbers continue to increase, as shown in Chart 3 below.

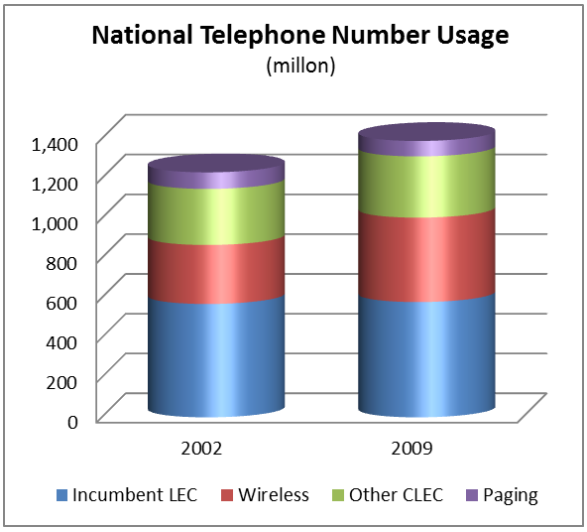


***Chart 3:** Telephone numbers (millions) in use or held by providers. Because providers receive numbers in blocks of one thousand or more for each calling area, the numbers are greater than subscriber counts. Source: FCC.*

PROCEEDINGS OF INTEREST

POLE ATTACHMENT RATES

Although the number of telephone service providers has grown dramatically over the past decades, the number of utility poles has not. Instead, those poles – usually owned by incumbent telephone or electric companies or both – are used by new carriers, including cable operators, to carry fiber lines. In March 2012, Time Warner Cable filed a petition for resolution of a dispute with PSNH regarding the fees charged for the attachment of cable facilities to PSNH poles. Commission Staff facilitated a settlement among the parties which offered potential cost savings to the cable companies expected to stimulate infrastructure development, while ensuring that the interests of PSNH ratepayers and investors were also protected. The Commission approved the settlement in January 2013.

WATER AND RAILROAD CROSSINGS

New carriers are investing in infrastructure in New Hampshire. During the biennium, four competitive carriers sought licenses to cross waters and railroads on state land with fiber optic cable in over 100 locations. Commission review of these requests included verification that plans complied with the National Electrical Safety Code; in many cases the plans required corrections.

AREA CODE EXHAUSTION

Although traditional landline use is declining, mobile phone use and VoIP service continues to increase and the result is a continuing demand for new telephone numbers. New Hampshire was notified in 1999 that the state would soon run out of telephone numbers in the 603 area code and that the Commission would be required to determine how to implement a second area code. The Commission also implemented processes to make telephone number allocation more efficient, slowing down the consumption of numbers in the area code. In 2010, the Commission was again notified that the addition of a second area code was imminent.

In 2011 the Commission identified over 400,000 telephone numbers that had been allocated to a telephone company that was now bankrupt. Of these numbers fewer than 2,500 were in service, and many appeared to be used by out-of-state fax customers. The Commission ordered carriers to return these blocks of numbers, and worked with providers to minimize the impact of the transition on customers. In December 2011, the numbers were reclaimed and the national numbering plan administrator estimated the area code would be extended another 5 years, through 2018. The Commission continues to oversee the efficient allocation of telephone number resources to wireline providers. However, decisions pending at the FCC about number resource allocation to VoIP providers may expedite use of the remaining numbers in the 603 area code and ultimately require the addition of a second area code in New Hampshire.

ELECTRIC INDUSTRY

The Commission regulates four electric utilities: Public Service Company of New Hampshire (PSNH), which has approximately 500,000 customers, Unitil Energy Systems (UES), which has approximately 77,000 customers, Granite State Electric Company (GSEC), which serves approximately 42,000 customers, and New Hampshire Electric Cooperative (NHEC), which serves approximately 79,000 members. The Commission's statutory authority over NHEC is limited as NHEC has opted for self-regulation pursuant to RSA 362:2, II. The chart below provides an overview of New Hampshire's electric utilities:

Chart 1

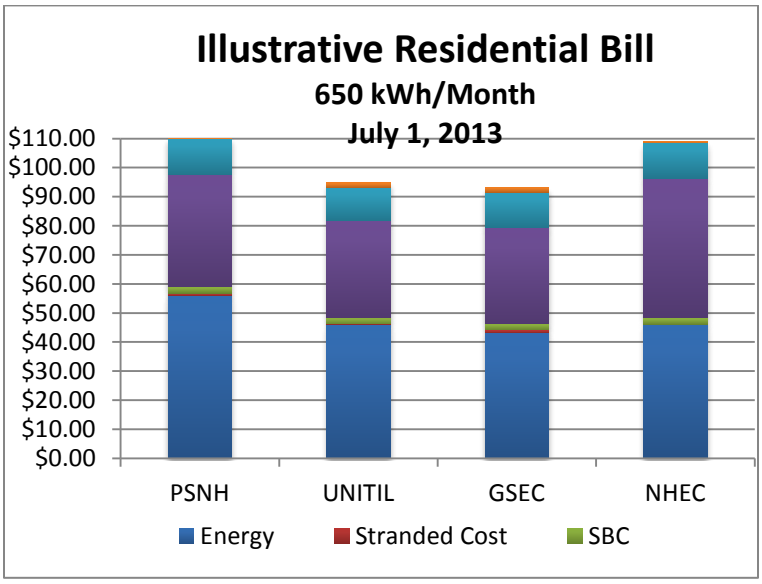
Total Operating Revenues, Megawatt-hours to Retail Customers and Total Customers in New Hampshire by Franchise Distribution Area - 2012

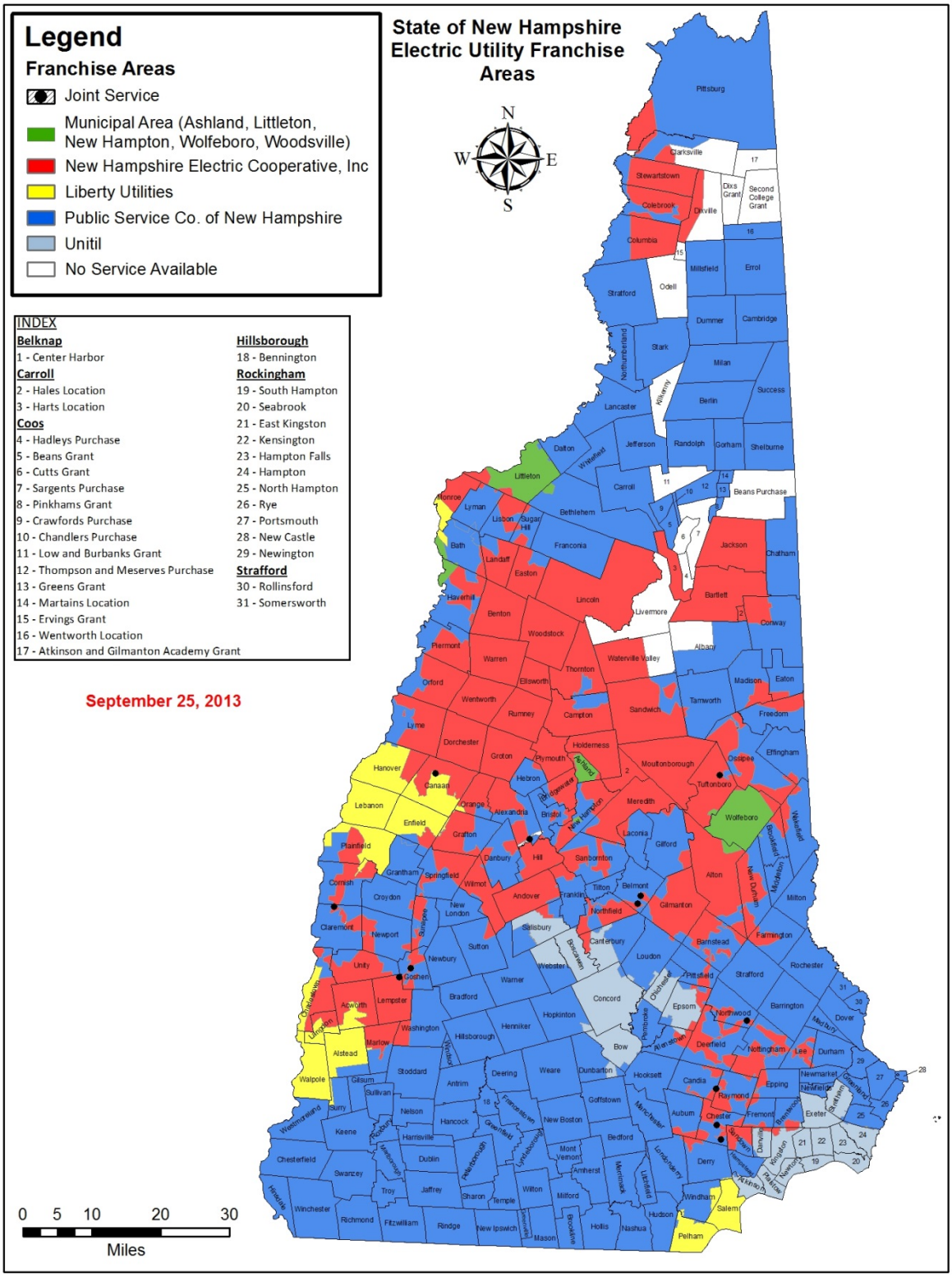
	MWH Sold	Operating Revenues	Avg. # of customers	Peak Load (MW)	Date	Hour
PSNH	7,820,831	$ 1,011,361,140	500,089	1634	7/17/2012	6:00 PM
UES	1,195,431	128,265,068	76,651	278	7/17/2010	4:00 PM
GSEC	911,923	78,226,535	42,408	193	6/21/2012	4:00 PM
NHEC*	750,839	115,604,473	78,845	165	12/2012	
NH Total	10,679,024	$ 1,333,457,216	697,993			

Sources: 2012 FERC Form 1 Annual Reports, 12/31/2012 NHPUC Form F-1

* 2012 Annual Report, NHEC

Chart 2




Legend
Franchise Areas
Joint Service
Municipal Area (Ashland, Littleton, New Hampton, Wolfeboro, Woodsville)
New Hampshire Electric Cooperative, Inc
Liberty Utilities
Public Service Co. of New Hampshire
Unitil
No Service Available
State of New Hampshire Electric Utility Franchise Areas
N
W
E
S
INDEX
Belknap
1 - Center Harbor
Carroll
2 - Hales Location
3 - Harts Location
Coos
4 - Hadleys Purchase
5 - Beans Grant
6 - Cutts Grant
7 - Sargents Purchase
8 - Pinkhams Grant
9 - Crawfords Purchase
10 - Chandlers Purchase
11 - Low and Burbanks Grant
12 - Thompson and Meserves Purchase
13 - Greens Grant
14 - Martains Location
15 - Ervings Grant
16 - Wentworth Location
17 - Atkinson and Gilmanton Academy Grant
Hillsborough
18 - Bennington
Rockingham
19 - South Hampton
20 - Seabrook
21 - East Kingston
22 - Kensington
23 - Hampton Falls
24 - Hampton
25 - North Hampton
26 - Rye
27 - Portsmouth
28 - New Castle
29 - Newington
Strafford
30 - Rollinsford
31 - Somersworth
September 25, 2013
0 5 10 20 30
Miles

STATUS OF ELECTRIC COMPETITION

The electric industry in New Hampshire includes both competitive wholesale markets and retail choice. As a result, electric customers have the right to obtain their electric supply from an entity other than their electric distribution utility. Competitive electric service can be provided by competitive electric power suppliers (CEPS) or arranged through aggregators. For those customers who choose not to take service from one of the registered CEPS, the electric utilities offer "default service." Energy supply service, whether through default service or competitive suppliers, represents roughly one-half of a customer's bill, as depicted in Chart 2.

The energy market has changed radically in recent years due to new inexpensive natural gas supplies resulting from the hydrofracturing, or "fracking", of shale gas to bring more natural gas to the surface. The abundant supply of "fracked" gas used in electric generation has brought down the wholesale price of electricity nationally as well as in New Hampshire. This creates opportunities for entities to compete with the default service prices offered by the electric distribution utilities, especially in PSNH's service territory. Numerous companies are now registered as competitive power suppliers and electricity aggregators. New Hampshire currently has 16 registered CEPS and 100 registered aggregators serving both residential and commercial customers. Prior to 2011, competitive suppliers had served primarily non-residential customers, but PSNH's residential default service rate has risen to above-market levels in recent years, providing opportunities for competitive supply offerings.

Chart 3 below displays the default service rates for each of the New Hampshire electric distribution utilities since April 2004. The next several charts show rates of customers choosing competitive supply of electricity over default service, known as "migration". As is clear from the charts, migration of large commercial and industrial customers for the three regulated utilities has been significant since 2010. In addition, the migration trend for smaller commercial and industrial customers has been on a steady upward path.

The residential customer group shows some disparity in the migration trends among the three utilities. As shown, migration of residential customers in the territories of UES and GSEC has been nominal, with only slight increases experienced in the first half of 2013. For PSNH, however, residential customer migration has been on a steep increase since the second quarter of 2012. A major difference lies in how default service is procured and priced for each utility. UES and GSEC obtain competitive bids to supply their respective default service loads; as a result, their retail rates more closely follow market price trends. PSNH's default service rates, on the other hand, consistent with the requirements of RSA 369-B:3, IV(b)(1)(A), are calculated by combining the costs of owning and operating its generation fleet with the costs of necessary supplemental power purchases, including entitlements pursuant to power purchase agreements. The default service rate for PSNH approved by the Commission in December 2012 for 2013 was 9.54 cents per kWh. A decrease to that rate was approved midway through 2013. The current rate is 8.62 cents per kWh, which will remain in effect until January 2014.

Chart 3

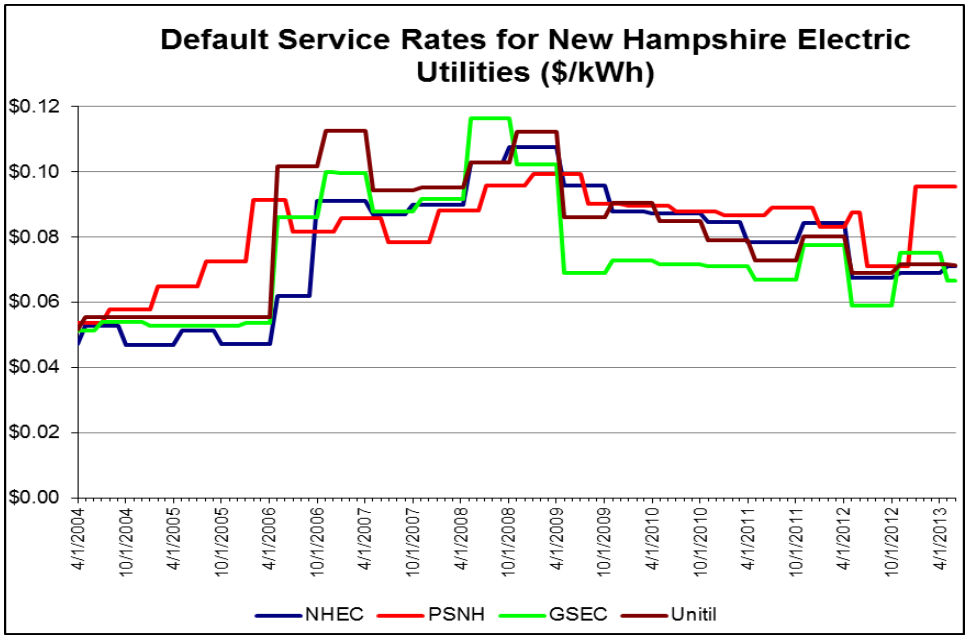


Chart 4

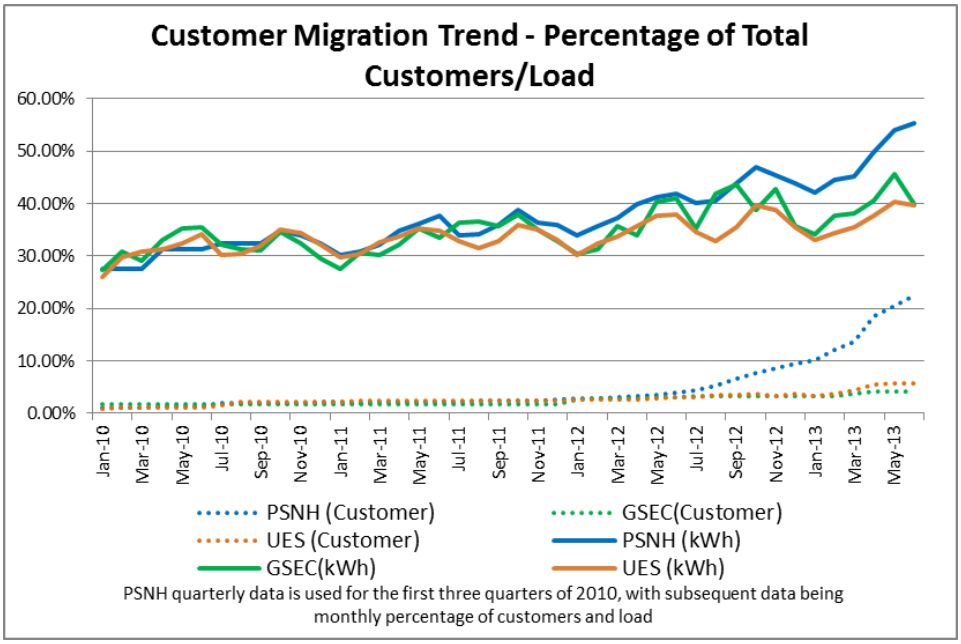


Chart 5

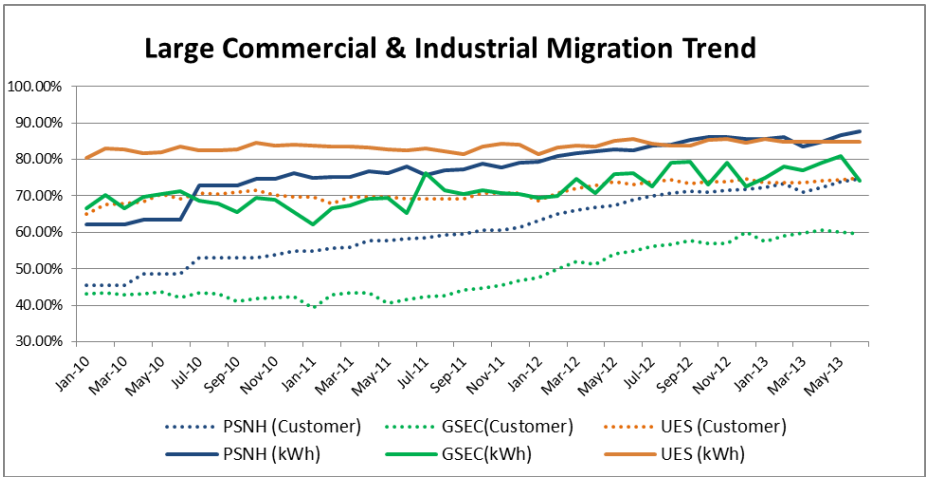


Chart 6

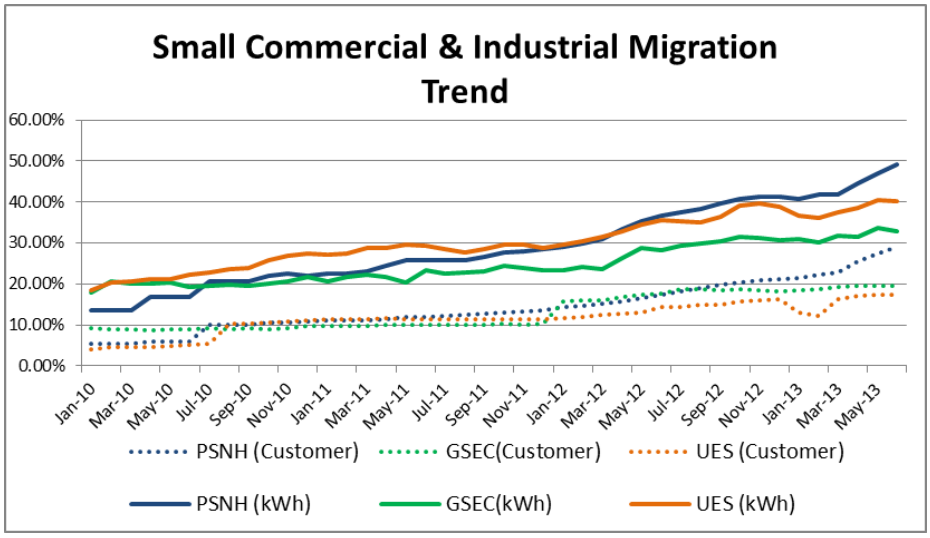
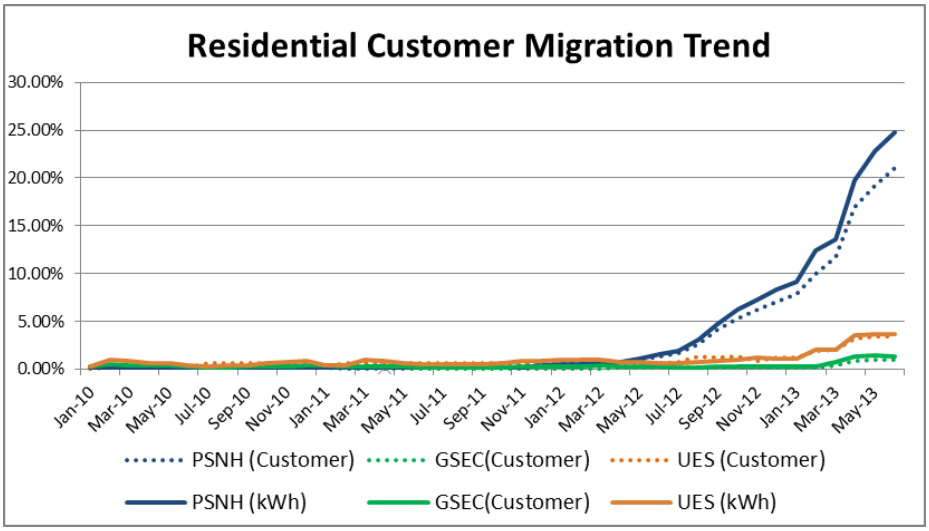


Chart 7



KEY ELECTRIC PROCEEDINGS

INVESTIGATION INTO PSNH'S DEFAULT SERVICE RATES AND GENERATION OWNERSHIP

Given the increased customer migration in PSNH's service territory along with its higher default service prices, on January 18, 2013 the Commission announced an investigation, pursuant to RSA 365:5 and RSA 374:4, into the market conditions affecting the default service PSNH provides and how PSNH proposes to maintain safe and reliable service to its default service customers at just and reasonable rates in light of those market conditions. The investigation, designated as Docket No. IR 13-020, also explores the impact, if any, of PSNH's continued ownership and operation of generation facilities on the competitive electric market in New Hampshire.

The Commission Staff, with the assistance of The Liberty Consulting Group, reviewed market and industry publications and interviewed stakeholders, including PSNH, power producers, competitive electricity suppliers, large energy customers, environmental advocates, relevant State agencies and the Office of the Consumer Advocate. On June 7, 2013, Staff issued its *Report on Investigation into Market Conditions, Default Service Rate, Generation Ownership and Impacts on the Competitive Electricity Market* (Report). The Commission offered all interested parties the opportunity to file responsive comments and to recommend appropriate next steps, if any, to address the issues raised in the Report.

With the exception of PSNH, those commenting supported the Commission's investigation and generally endorsed the analysis and conclusions contained in the Report. PSNH argued the Report deviated from the scope set forth in the Commission's order of notice by failing to consider relevant legislative and regulatory history, including the Restructuring Settlement reached in 1999 that led to current circumstances; over-relied on stakeholder input; and reached unsupported conclusions without demonstrating its analytical foundation.

On July 15, 2013, the Commission issued Order No. 25,545 accepting the Report as a critical first step in exploring the economic and regulatory challenges facing PSNH and the effects those challenges may have on its customers. The Commission also recognized that the Report was preliminary and took the further step of directing Staff to engage an asset valuation expert, through a competitive bid process, to determine the value of PSNH's generation assets and entitlements. This information, which will be more precise than the general assessment of asset values in the Report, will be of use to the Commission and the Legislature, both of which are likely to consider further action in these matters, as well as to PSNH and the many stakeholders affected by PSNH's operations.

PSNH SCRUBBER INSTALLATION

Pursuant to RSA 125-O:11, a wet flue gas desulphurization system (Scrubber) to reduce mercury emissions was required to be installed and operational at PSNH's coal-fired electric generating facility, Merrimack Station no later than July 1, 2013. PSNH notified the Commission that the Scrubber had been placed in service on September 28, 2011.

On November 15, 2011, the Commission opened Docket DE 11-250 to consider the Scrubber Project, including the in-service status, the prudency of PSNH's decision to install the Scrubber despite significant changes in cost estimates, appropriate rate treatment, and the costs of the Scrubber. On November 18, 2011, PSNH filed a motion for the establishment of temporary rates to begin recovering its Scrubber costs effective January 1, 2012, at a rate of 1.18 cents per kilowatt-hour (kWh). Following testimony by Staff and after hearing, the Commission approved a temporary rate for the collection of Scrubber costs of 0.98 cents per kWh effective April 16, 2012, to be charged only to those customers who receive

default service from PSNH. The temporary rate remains in effect until conclusion of the full proceeding, which has involved a number of discovery disputes and attendant procedural delays. It is now scheduled for hearings in March 2014.

COMPETITIVE SUPPLIER ISSUES

As more competitors enter the New Hampshire market and more customers opt to receive their electricity from competitive suppliers, the potential for new issues and challenges arises. In February 2013, for example, two competitive suppliers, PNE Energy Supply LLC (PNE) and FairPoint Energy, LLC (FairPoint Energy), requested and received Commission approval in DE 13-049 for an expedited waiver of certain notice provisions to effect the transfer of approximately 8,500 residential and small commercial customer accounts from PNE to FairPoint Energy. In the midst of that transaction, PNE encountered financial difficulties due to market conditions that resulted in PNE's financial assurance default at ISO-New England in mid-February 2013. As a consequence, only approximately 1,200 of those customers were transferred to FairPoint Energy and the remaining 7,300 were transferred to PSNH's default service. On April 15, 2013, the Commission approved a settlement agreement between PNE, Resident Power and Commission Staff resolving the issues in the proceeding. Certain unresolved issues between PNE and PSNH resulting from the events described are the subject of another proceeding, IR 13-233.

GSEC ACQUISITION BY LIBERTY UTILITIES

On March 4, 2011, a Joint Petition was filed by National Grid and Liberty Utilities (Liberty) for authority to transfer ownership of Granite State Electric Company (GSEC) and EnergyNorth Natural Gas to Liberty Energy NH. The proposed transfer involved separate stock transactions for GSEC and EnergyNorth, with an aggregate price of $83 million for GSEC and $202 million for EnergyNorth.

The Commission, in Order No. 25,370, approved a lengthy, detailed settlement agreement reached between the companies, the Office of the Consumer Advocate, and Staff that provided for a number of commitments by Liberty and National Grid and conditions to ensure an orderly transition in terms of ownership, operations and customer relations. Monitoring of the transition process is an ongoing task for the Commission.

GSEC RATE CASE

On March 29, 2013, GSEC petitioned for authority to implement new permanent distribution rates beginning April 29, 2013, and set temporary rates until the Commission's final determination regarding the Company's permanent rate proposal.

GSEC's petition proposes permanent rates for electric service that would increase its annual distribution revenues by 18%, or $14.2 million, and temporary distribution rates that would increase annual distribution revenues by $9.2 million and result in a monthly bill increase of approximately 11.7% for residential customers and from 4.5% to 10.1 % for small commercial customers. GSEC stated that as of December 31, 2012, its current actual rate of return on rate base was negative 0.75% and that, unless temporary and permanent rate relief are granted, the Company will not earn a reasonable return on its property used and useful in the public service.

GSEC's filing also requested approval of additional measures that would enable the company to recover an annual revenue deficiency of approximately $1.2 million based on additional capital spending of approximately $9.2 million for the period ending December 31, 2013, and approval of long-term reliability enhancement and vegetation management programs, recovery of storm-related pre-staging costs. The petition also seeks approval of changes to certain customer fees, the company's

current line extension policy, and the company's evaluation of LED street lighting.

On June 3, 2013, a settlement agreement was filed recommending a temporary rate increase of $6.5 million, which the Commission approved on June 27, 2013 in Order No. 25,531. Hearings on the permanent rate request along with the other requested approvals are scheduled for late January 2014.

PSNH CONTRACTS WITH WOOD-FIRED POWER PLANTS

On August 23, 2011, PSNH; Bridgewater Power Company, L.P., Pinetree Power, Inc., Pinetree Power-Tamworth, Inc., Springfield Power LLC, DG Whitefield, LLC d/b/a Whitefield Power & Light Company, and Indeck-Alexandria, LLC (collectively, independent wood-fired power producers, or Wood IPPs); the Department of Resources and Economic Development (DRED); and certain Advocate Staff of the Commission filed a petition for approval of (i) five power purchase agreements (PPAs) between PSNH and the Wood IPPs (except Whitefield Power & Light Company); (ii) a settlement agreement between PSNH, the Wood IPPs and Berlin Station, LLC, Laidlaw Berlin BioPower, LLC (Laidlaw) and Cate Street Capital, Inc.; and (iii) a proposal for ratemaking treatment relating to the costs of the PPAs.

The filing resolved an appeal to the New Hampshire Supreme Court regarding a challenge to an amended power purchase agreement between PSNH and Laidlaw (now known as Burgess BioPower). In late 2011, the Commission found that although the PPAs included a level of above-market costs, the public benefits outweighed the projected costs and thus granted approval.

CORE ENERGY EFFICIENCY PROGRAMS

Energy efficiency efforts, funded through a portion of the System Benefits Charge (SBC), continue to benefit New Hampshire customers. Since implementation of the Core Energy Efficiency Programs in June 1, 2002, approximately $229 million has been spent on energy efficiency measures, with expected energy savings of over 9.4 billion kilowatt-hours in reduced electricity consumption over the lifetime of the measures. The programs include Residential as well as Commercial and Industrial (C&I) programs. The utilities also sponsor individual initiatives limited to their respective service territories.

In 2010, the General Court called for an independent study that would utilize a broad, non-adjudicative collaborative process to review and analyze the State's energy efficiency, conservation, demand response, and sustainable energy programs and incentives and make recommendations for possible improvements to those programs. The Commission engaged the Vermont Energy Investment Corporation (VEIC), who issued a report on September 30, 2011. The VEIC study, in conjunction with an earlier study by GDS Associates that looked at the potential for additional opportunities for energy efficiency in New Hampshire, provides the Commission and stakeholders a valuable framework upon which to view and understand future energy efficiency policy. A report on the benefits of the CORE programs, as well as the VEIC and GDS studies are available on the Commission's website.

In 2012, the Legislature amended the Regional Greenhouse Gas Initiative (RGGI) provisions of RSA Chapter 125-O by requiring that one dollar of each RGGI allowance sold, net of administrative expenses, be turned over to the electric utilities for Core energy efficiency programs, and everything over a dollar be refunded to default service customers.

In 2013, the Legislature further amended RSA 125-O to require that 15 percent

of RGGI revenues not rebated to ratepayers be allocated to the Core energy efficiency programs for low income customers.

REGIONAL AND WHOLESALE ELECTRICITY MARKET ISSUES

Since 1997, New England regional and wholesale electric markets have been managed by the independent system operator ISO-New England (ISO-NE), designated by the Federal Energy Regulatory Commission (FERC) to serve Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont. ISO-NE performs this function in three ways: by ensuring the day-to-day reliable operation of New England's bulk power generation and transmission system; by overseeing and ensuring the fair administration of the region's wholesale electricity markets; and by managing a comprehensive regional planning process.

Among other things, ISO-NE issues a Regional System Plan each year. These 10-year plans include forecasts of future demand for electricity in the region and plans for how the system can meet demand by adding generating resources, demand-side resources, and transmission facilities. Each plan addresses system-wide needs as well as the needs in specific areas to ensure reliability of the system and compliance with national and regional planning standards, criteria, and procedures. Additional information on ISO-NE can be found at its web site www.iso-ne.com.

GENERATION CAPACITY

The New England wholesale electricity market underwent a major change in 2006 when the Forward Capacity Market (FCM) was developed and implemented in response to a FERC mandate to ensure New England's long-term electric capacity needs would be met. Under the approved FCM design, ISO-NE projects the level of resources the regional power system will need three years in advance to meet demand and then holds an annual auction to procure commitments from generators and demand-response resources to be available three years from now.

The seventh forward capacity auction (FCA), covering the commitment period June 1, 2016 to May 31, 2017, was held on February 4 and 5, 2013. New England was divided into four zones for the first time in FCA 7 in order to reflect the resource needs in areas of the power system that have limited resources and inadequate transmission capability to move more power in, or areas that may have more resources than needed but inadequate transmission to move power out.

The clearing price for three of the four capacity zones in that auction was the administrative floor price of $3.15/kW-month. The clearing price for the fourth capacity zone in the Boston area was substantially higher at $15/kW-month. All new resources in the fourth zone were paid the clearing price, in contrast to existing resources which were paid $6.661/kW-month. This mechanism provides incentives for new resources to be developed in resource-short zones, while capping compensation to existing resources.

More than 38,570 MW of commitments from power plants and demand-side resources competed in the auction to provide the 32,968 MW of Installed Capacity Requirement that ISO-NE forecasted would be needed to meet regional demand in 2016/2017. System wide, more than 36,220 MW was procured, representing a surplus of 3,252 MW. The 9.9% surplus resulted in the capacity price being pro-rated to $2.84 in the three zones with surplus capacity, producing cost savings for electric ratepayers.

A major reason for the FCA clearing at the floor price in three of the four capacity zones is the amount of demand resources that were bid into the auction. Demand resources include energy efficiency measures that reduce electric load over long periods as well as particular loads that can be reduced when requested. Demand resources accounted for over 8% of the capacity

required to meet New England's forecasted needs and is expected to remain an important factor in future auctions. Because the administrative floor price will be eliminated after FCA 7, capacity prices in the three surplus zones are likely to fall further, resulting in additional cost savings for ratepayers.

ISO-NE currently is conducting a stakeholder process to modify the present FCM design to address concerns with the performance incentives in that design. ISO-NE has offered a Performance Incentives (PI) proposal that incents greater levels of resource availability and flexibility. In brief, the PI proposal would provide for additional payments to resources that over-perform during specified scarcity conditions. The cost of these additional payments would be borne by resources that under-perform during scarcity conditions.

Unlike the present FCM design, the new proposal will make each resource's FCM revenue contingent, in part, upon actual performance during periods when ISO-NE is unable to meet the combined energy and operating reserve requirements necessary to ensure reliable operations in the New England region.

Further, because all resources will be exposed to the risk that they could under-perform, that risk is expected to be reflected in each resource's FCM bid, resulting in higher clearing prices and higher costs to ratepayers. The Commission is actively involved in the stakeholder process on behalf of New Hampshire ratepayers.

TRANSMISSION INVESTMENT

Another continuing development in New England's wholesale electric markets is the substantial increase in transmission spending that is now occurring and planned for the near future. From 2002 through June 2013, 475 transmission projects have been put into service in New England, with an investment totaling approximately $5.5 billion. Additional projects, totaling approximately $5.7 billion, are either under construction or in the planning phase. For most transmission projects, New Hampshire absorbs roughly 10% of the cost, so the rate impact of these investments is sizable.

The increase in transmission spending is attributed, in part, to a period of underinvestment beginning in the 1990's, followed by the introduction of financial incentives from FERC and new North American Electric Reliability Corporation regulations, leading to greater investment in transmission projects. The Commission, along with other New England state commissions, continues to work with ISO-NE and the transmission companies to develop better cost estimating and containment methods for these new projects.

SUSTAINABLE ENERGY

The Sustainable Energy Division was created in 2008 to assist the Commission in implementing specific state legislative initiatives promoting renewable energy and energy efficiency and to advance the goals of energy sustainability, affordability and security. The Division manages the State's Renewable Energy Fund, administers the renewable portfolio standard law, and manages the statewide energy code program for residential and commercial buildings.

RENEWABLE PORTFOLIO STANDARD ACT, HB 873

In 2007, Governor Lynch signed into law HB 873, requiring providers of electricity in New Hampshire to meet specific percentages of their customer load by producing or acquiring renewable energy certificates (RECs). These requirements increase incrementally over time and are applied to four separate types, or classes, of renewable resources.[1] For 2013, the total RPS obligation is 6.8 percent of total generation supplied to customers. The RPS requirement increases incrementally to 24.8 % for 2025.

If electricity providers are not able to meet the RPS requirements by purchasing or acquiring RECs at a reasonable price, they must make alternative compliance payments (ACPs) to the State. Electricity suppliers are required to file an annual compliance report each year in July, and make any required ACP payments at that time. These payments are deposited into the Renewable Energy Fund, described below, pursuant to RSA 362-F:10.

The Commission is responsible for reviewing applications from generators seeking certification as an eligible facility to produce and sell RECs in New Hampshire. Since 2007, the Commission has received 432 such applications, of which 345 have received certification and 4 are currently under review.

RSA 362-F:5 requires the Commission to conduct a comprehensive review of the RPS law in 2011, 2018, and 2025. The Commission's 2011 RPS Review was submitted to the General Court on November 1, 2011.

[1] Class I resources include renewable energy sources that began operation after January 1, 2006 and include wind, solar, geothermal, hydrogen derived from biomass fuels or methane gas, ocean thermal, wave, current, tidal energy, methane gas, eligible biomass technologies, incremental generation and the displacement of electricity from solar water heating systems. Class I now includes a subcategory for useful thermal energy, per SB218, enacted in 2012. Class II sources include generation facilities that produce electricity from solar technologies and began operation after January 1, 2006. Class III sources include existing landfill methane gas facilities and eligible biomass facilities that began operation on or before January 1, 2006. Class IV sources include qualified hydroelectric facilities that began operation on or before January 1, 2006.

RENEWABLE ENERGY FUND

The Commission administers the Renewable Energy Fund (REF), which receives its funding in annual installments of alternative compliance payments (ACPs) from energy suppliers. The REF is a dedicated, non-lapsing fund whose purpose is to support electrical and thermal renewable energy initiatives pursuant to RSA 362-F:10.

ACP revenues, by due date, have been:

July 2009	$ 4,483,917
July 2010	$ 1,348,294
July 2011	$ 2,625,499
July 2012	$19,121,853
July 2013	$ 9,323,198
Total:	$36,902,761

In June of 2012 the General Court elected to transfer $16.1 million of these revenues to the General Fund, and another $1.28 million to Tri County Community Action, via HB 2.

Pursuant to RSA 362-F:10, the Commission funds rebate and grant programs covering a range of thermal and electrical renewable technologies in both the residential and non-residential sectors. A description of the rebate programs can be found below in Table 1.

TABLE 1 – SUMMARY OF RENEWABLE ENERGY REBATE PROGRAMS

REF Rebate Programs	Eligible Technologies and capacity limits	Incentive Levels	Authority, date of inception
Residential electrical renewable energy rebate	Solar electric panels (PV systems), wind turbines, and other renewable electric generation up to 10 kilowatts in capacity	$.75 per watt up to a maximum of $3,750 or 50% of the total cost of the facility, whichever is less	RSA 362-F:10, V July 2009
Residential thermal renewable energy rebate	Solar water heating systems w/ capacity of 5.5 MMBtu's or greater	$1,500, $1,700, or $1,900 depending on system capacity	RSA 362-F:10, VIII April 2010
Residential wood pellet boiler/furnace rebate	High-efficiency, bulk-fuel fed, wood-pellet central heating boilers and furnaces	30% of the system and installation cost, or $6,000, whichever is less	RSA 362-F:10, VIII May, 2012
Commercial & industrial solar technologies rebate	PV systems and solar water heating systems up to 100 kW or thermal equivalent	$.80 per watt (A/C) for solar electric systems and $0.07/rated or modeled kBtu/year for solar thermal systems capped at $50,000 or 25% of the total cost of the facility, whichever is less	RSA 362-F:10, VIII October 2010

Program results for the REF rebate programs are summarized below in Table 2.

TABLE 2 – SUMMARY OF FY 2012 AND FY 2013 REF REBATE PROGRAM RESULTS*

REF Programs	# of applications	# of rebates awarded	Rebate funds disbursed	Average rebate award
Residential PV or wind	454	423	$1,626,184	$3,844
Residential solar water heating	219	227	$266,000	$1,172
Residential wood pellet	52	38	$216,391	$5,695
C & I solar electric and solar thermal rebates	126	94	$1,243,100	$13,224
Totals	799	744	$3,351,675	$4,505

*The number of rebates awarded may exceed the number of rebate applications where payments are made on applications received during the prior fiscal year.

COMMERCIAL & INDUSTRIAL COMPETITIVE GRANT PROGRAM

RSA 362-F:10 requires the Commission to issue a Request for Proposals (RFP) annually for non-residential renewable energy projects that are not eligible to participate in incentive and rebate programs developed under RSA 362-F:10, V and RSA 362-F:10, VIII.

Accordingly, the Commission has issued RFPs for renewable energy projects in 2011, 2012, and 2013. Five grants were awarded in 2011 and seven in 2012. 2013 grant awards are nearing completion.

Below is a summary table of the grants awarded in 2011 and 2012.

Grantee	Grant Amount	Technology	Total Project Cost
Carbon Harvest Energy	$500,000	Landfill gas-to-energy plant (combined heat and power) in Lebanon	$6,658,000
Cartographic Associates, Inc.	$43,000	Wood pellet boiler (Littleton)	$65,762
Claremont Fire Dept.	$52,000	Wood pellet boiler	$65,000
Colby Solar, LLC	$100,000	Photovoltaic array at Colby Sawyer College	$474,622
Mascenic Regional School District	$51,850	Wood pellet boiler at Greenville Elementary School	$86,883
Monadnock Paper Mills	$151,040	Hydroelectric dam upgrade	$151,040
Northeast BioEnergy Systems, LLC	$93,000	Wood chip boiler at elementary school in Rumney	$372,000

Revolution Energy	$100,000	Photovoltaic array at Favorite Foods, Rochester	$728,000
Spaulding Ave. Industrial Complex	$165,000	Hydroelectric facility upgrade	$315,000
Sullivan County	$300,000	Wood chip district heating system at Sullivan County Complex	$3,180,000
University of NH	$59,750	Solar hot air system at Kingsbury Hall	$119,500
Walker Wellington, LLC	$100,000	Hydrokinetic turbine at Dover wastewater treatment plant	$129,000
Totals	$1,715,640		$5,314,807*

* Carbon Harvest and Northeast Bioenergy Systems did not go forward.

ENERGY CODE

Pursuant to RSA 155-D, the Commission reviews energy code compliance for structures less than four stories in height to be constructed, added to or renovated in all but two towns and cities. Those two communities process their own applications exclusively. Code applications are reviewed by the Commission's energy conservation coordinator, who serves on the state's Building Code Review Board. During FY 2012 and 2013, the Commission reviewed applications from 191 communities and approved 1,994 residential building applications, 6% more than in the previous biennium. The largest number of applications received from any single community was 118, from Hudson.

New Hampshire operates under the provisions of the International Code Council's 2009 International Energy Conservation Code (2009 IECC). This code was incorporated into the State Building Code along with the International Residential Code, International Building Code, International Mechanical Code, International Plumbing Code and the International Existing Building Code by the General Court through HB 137 in the 2012 legislative session.

The Commission's code office has no enforcement authority and therefore focuses much of its attention on education and outreach. The Commission assists applicants whose proposals do not meet code requirements to comply. The Commission also develops and administers a training program for building professionals regarding all aspects of the state energy code pursuant to RSA 155-D:9. Accordingly, the Commission partners with the state's electric and natural gas utilities and the Office of Energy and Planning to offer workshops on residential and commercial/industrial energy codes.

Fifteen day-long energy code training workshops were conducted during the biennium. These included in-the-field training conducted at a home still under construction. The workshops were supported by the state's regulated utilities through their "Core" energy efficiency program funding. The workshops teach requirements of the energy code, fundamentals of building science, and techniques for meeting and exceeding energy code requirements. Workshops were held throughout the state and were attended by more than 332 participants. Typically the audience is evenly divided among builders, architects, designers and municipal code officials.

GAS & STEAM INDUSTRIES

GAS

New Hampshire is served by three gas utilities: Liberty Utilities (90,000 customers) serving the Interstate 93 corridor as far north as Laconia plus Berlin; Northern Utilities (30,000 customers) serving the seacoast area; and New Hampshire Gas (1,200 customers) serving Keene. New Hampshire depends on the supply of gas through interstate pipelines to delivery points in the New England region.

There are 2.5 million natural gas customers in the New England region; 2.3 million residential customers and 260,000 commercial and industrial customers. The 2013 U.S. Energy Information Administration's Annual Energy Outlook forecasts a U.S. national growth rate for natural gas usage of 0.4% annually through 2040, with New England natural gas consumption expected to grow 0.5% annually over that period. The largest consumption sector, nationally and regionally, is gas for electric generation, which accounts for 43% of New England's electric supply.

New England has 2,500 miles of interstate transmission pipeline delivering gas from supply basins in the Gulf Coast, western Canadian, and eastern Canadian (Sable and Deep Panuke offshore fields) regions. In addition, New England is the site of three import terminals for liquefied natural gas (LNG), all located in Massachusetts. Distrigas is a land based terminal that has been in operation since 1971; the Northeast Gateway and Neptune are offshore facilities that began operations in 2008 and 2010, respectively. The Canaport LNG import terminal located in Saint John, New Brunswick began receiving LNG imports in 2009. This import facility vaporizes the LNG to facilitate transport through pipelines to serve residential, commercial and industrial consumers in markets throughout eastern Canadian provinces as well as in the northeastern United States.

In 2012 about 94% of the gas consumed in the U.S. was produced domestically. The balance is imported from Canada, including a small share from LNG. LNG is vital in helping local gas utilities meet winter peak day requirements and provides about 30% of New England's utility peak day requirements. Domestic natural gas reserves have grown significantly, in great part due to the emergence of technologies that are able to unlock newly discovered reserves such as natural gas from shale in the Appalachian basin, as well as in the Mid-Continent, Gulf Coast and Rocky Mountain areas.

TRANSPORTATION AND COMPETITION

New Hampshire restructured its natural gas industry to make it economically feasible for all commercial and industrial (C&I) end-users in the state to purchase gas supply directly from unregulated third party suppliers and use their regulated local gas utility for "transportation" or delivery service only, or get *both* their gas supply and delivery of the gas from their local gas utility.

C&I customers have had access to competitive markets through daily metered delivery service since 1993. When, or whether, to provide similar opportunities to residential customers will depend largely on suppliers' willingness to serve that market. In the New England states that offer residential transportation service only, a small number of residential customers are receiving transportation-only service.

Competitive Natural Gas Marketer rules were established in 2002 and revised in 2010. Ten third-party suppliers are registered to operate as Competitive Natural Gas Suppliers in New Hampshire and over 60 gas aggregators are registered to do business in New Hampshire.

ENERGY EFFICIENCY

In 2002 natural gas utilities instituted new demand side management and other energy efficiency initiatives. Program goals include increasing awareness of the benefits of energy efficiency, inducing lasting market changes and realizing energy efficiency savings that might not occur absent the programs. Each program must pass a cost-effectiveness screening whereby the net present value of program benefits exceeds program costs. The Commission recently approved a two-year energy efficiency program for 2013 and 2014.

NATURAL GAS LOW INCOME ASSISTANCE PROGRAM

In 2005 the Commission approved a low income assistance pilot program to provide eligible low income natural gas customers with a reduced rate in order to lessen the impact of escalating natural gas costs on their utility bills. The low income rate is available to residential heating customers who qualify for specific means-tested financial assistance programs, such as the federal Low Income Home Energy Assistance Program (LIHEAP). Participants receive a discounted rate that, on average, reduces annual gas bills by 20 to 25 percent.

INVESTIGATION SAVES NH RATEPAYERS $4.1 MILLION SAVINGS

In 2012, in response to Staff's recommendation, the Commission opened a docket to investigate Northern Utilities (Northern) accounting errors and the implications for the company's New Hampshire customers. The Commission determined that Northern had misallocated certain expenses between its Maine and New Hampshire divisions to the detriment of its New Hampshire customers. Consequently, Northern was required to refund $4.1 million to its New Hampshire customers.

LIBERTY UTILITIES ACQUIRES NH'S LARGEST NATURAL GAS UTILITY

In 2012 the Commission granted a petition from Liberty Utilities (Liberty) for approval to purchase New Hampshire's largest natural gas utility from National Grid. The Commission prohibited recovery of any acquisition premium or transition costs related to the purchase and required National Grid to establish an escrow account to be administered by an independent agent. The $28.5 million of National Grid funds held in escrow helps to ensure National Grid's commitment to provide transaction services to facilitate a smooth and seamless transition to Liberty ownership, to ensure service quality does not decline during the course to the transition, and to ensure that the cutover to Liberty systems will occur only when Liberty's systems are fully ready. In addition, a three year stay-out provision was established whereby Liberty will not file for an increase in delivery rates, other than for limited safety and reliability investments covered under the existing Cast Iron/Bare Steel accelerated main replacement program, until 2015 or 270 days after 70% of the total cost of transition services provided under the EnergyNorth Transition Service Agreement with National Grid are paid, whichever is sooner.

NORTHERN RATE INCREASE

In 2011, Northern Utilities requested an overall revenue increase of approximately $5.2 over test year revenues for its gas operations, adjusting delivery rates that had been in place since 2002. The Commission approved a settlement agreement increasing test year revenue by $3.7 million, a six percent increase over test year revenue, compared to the $5.2 million requested.

STEAM

Concord Steam is the only regulated steam utility in New Hampshire and serves approximately 100 commercial and industrial customers in Concord, the vast majority of which are heating customers. Concord Steam also produces its own electricity and sells excess electricity to Unitil.

After years of burning oil and natural gas to produce steam, Concord Steam undertook a major capital improvement project to rejuvenate its wood burning systems and in January 2004, resumed burning wood, which now accounts for approximately 70% of the total fuel consumed.

Concord Steam has been attempting to build a new wood burning plant in Concord that would qualify under the RPS as a Class I electric renewable energy facility. The new plant, as currently proposed, would produce approximately 16 megawatts of electricity annually, limit pollution to five percent of what is being produced at the current plant, and reduce steam rates by 30 percent. If built, the new plant would be an unregulated affiliate from which Concord Steam would purchase its steam requirements. At that point, Concord Steam would become strictly a steam distribution utility rather than the generation and distribution utility it has been historically. Although Concord Steam continues to pursue financing for the new plant, it has begun developing plans to renovate the existing plant to achieve the desired rate decrease and reduce pollution.

In 2012 Concord Steam requested an overall revenue increase of $862,000 in test year revenues for its steam operations, stating that it had experienced a negative six percent return during the test year. The Commission approved a settlement agreement increasing test year revenue by $732,000 to allow the utility the opportunity to earn an annual return of 5.7 percent.

Natural/Propane Gas and Steam Utilities

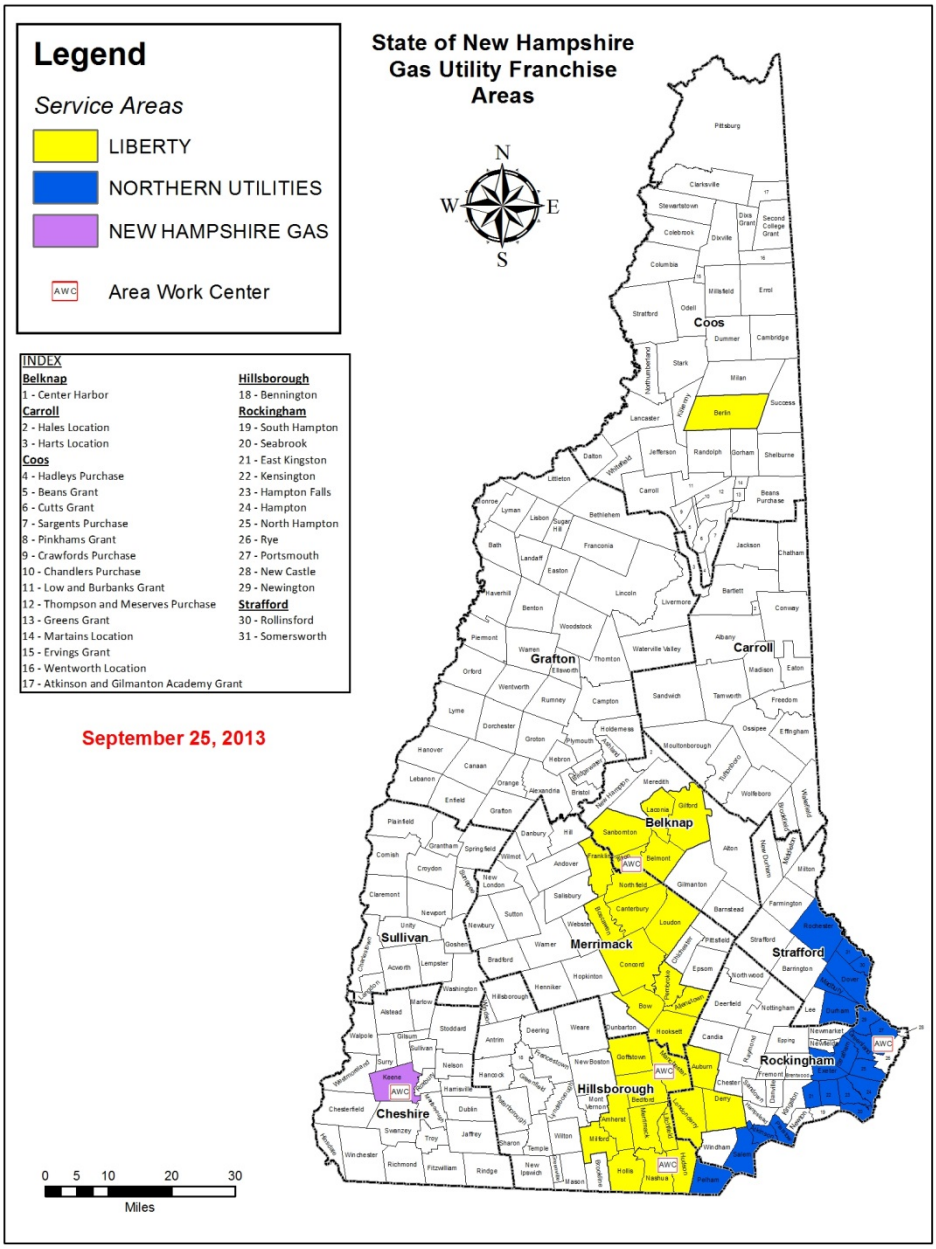
Summary Data: Natural Gas, Propane Gas and Steam Utility Companies Operating in New Hampshire

Calendar Year 2012

Natural Gas Utilities			Propane	Steam Utility	
Operating and Financial Statistics	EnergyNorth Natural Gas, Inc./Liberties Utilities	Northern Utilities, Inc./Unitil	New Hampshire Gas Corp	Operating and Financial Stats	Concord Steam Corp.
Bundled (Supply + Transportation) Customer Classes				**Bundled Sales**	
Residential				**Public Authority**	
Number of Customers	76,936	23,004	811	Number of Customers	6
Therms Billed	51,043,870	14,723,550	258,430	MLb (1,000 lbs) Billed	79,415
Revenue	$64,338,814	$23,609,442	$860,362	Revenue	$2,719,813
Revenue per Therm	$1.260	$1.604	$3.329	Revenue per MLb	$34.248
Commercial/Industrial/Public Authority				**Comm./Ind**	
Number of Customers	9,865	5,722	440	Number of Customers	92
Therms Billed	33,159,580	15,488,680	924,680	MLb (1,000 lbs) Billed	37,979
Revenue	$40,082,708	$20,576,068	$2,589,201	Revenue	$1,464,623
Revenue per Therm	$1.209	$1.328	$2.800	Revenue per MLb	$38.564
Unbundled (Transportation) Classes					
Commercial/Industrial				**Other Revenue**	
Number of Customers	1,899	799	0	Number of Customers	0
Therms Billed	54,349,780	35,963,860	0	MLb (1,000 lbs) Billed	0
Revenue	$12,163,384	$6,575,378	$0	Revenue	$216,037
Revenue per Therm	$0.224	$0.183	$0.000	Revenue per MLb	$0.000
Other Operating/Financial Statistics					
Total Customers	88,700	29,525	1,251	Total Customers	98
Total Operating Revenue	$119,363,340	$53,819,548	$3,395,589	Total Operating Revenue	$4,400,472

Source: Annual Reports for Calendar Year Ended December 31, 2012 filed with the NHPUC.

Notes: Bundled customer classes purchase gas supply and transportation delivery service directly from the utility companies.
Unbundled Commercial/Industrial customer classes purchase gas supply from third party suppliers and utilize transportation delivery service from the gas utility companies.



Natural Gas, Propane and Steam Utilities in NH

Communities Served

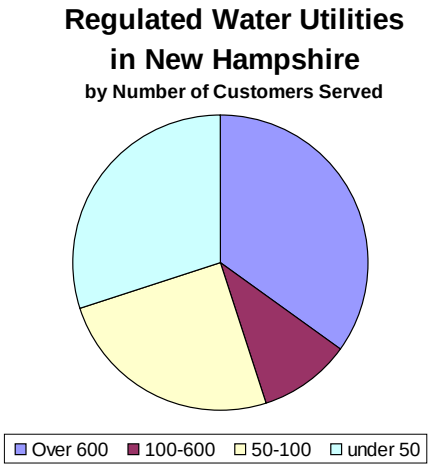
Liberty Utilities (Natural Gas)			Unitil/Northern Utilities (Natural Gas)			NH Gas Corp. (Propane)	Concord Steam Corp. (Steam)
Allenstown	Derry	Loudon	Atkinson	Hampton	Plaistow	Keene	Concord
Amherst	Franklin	Manchester	Dover	Hampton Beach	Portsmouth		
Auburn	Gilford	Merrimack	Durham	Hampton Falls	Rochester		
Bedford	Goffstown	Milford	East Kingston	Kensington	Rollinsford		
Belmont	Hollis	Nashua	East Rochester	Madbury	Salem		
Berlin	Hooksett	Northfield	Exeter	Newington	Seabrook		
Boscawen	Hudson	Pembroke	Gonic	North Hampton	Somersworth		
Bow	Laconia	Sanborton	Greenland		Stratham		
Canterbury	Litchfield	Tilton					
Concord	Londonderry						

WATER & SEWER INDUSTRIES

The Commission regulates 16 water utilities and six sewer utilities in New Hampshire. The 16 water utilities own approximately 100 separate systems, ranging in size from 26 customers to about 25,000. Pennichuck Water Works (PWW) is the largest, serving the greater Nashua area as well as a number of smaller systems in the southern part of the state. Together the regulated water utilities serve just over 48,000 service connections in 60 different cities and towns. The six sewer utilities serve just over 1,200 customers in seven communities.

The 16 regulated water utilities serve about 10% of New Hampshire's residents. The large majority of residents are served by a municipal utility, a condominium or homeowners association, or by private wells. It is estimated that 38% of New Hampshire residents receive their water from private, on-site wells. The Commission regulates municipal water system rates only when the municipal utility serves customers outside municipal boundaries and charges 15% or more above that charged within boundaries. Currently, there are no municipal utilities that trigger such regulation. For changes to franchise boundaries, both regulated water utilities and municipal water utilities must seek authorization from the Commission.

The Commission issued 53 orders in water proceedings and three in sewer proceedings during the biennium. The Commission also processed rate increase requests for six water utilities during this period, and completed three water rate cases begun in the prior biennium. In addition, the Commission received a number of requests for financing authorization from water utilities, and issued a total of 14 orders for new financings, refinancing, and short term debt limit waivers. These financings include five loans totaling $1.1 million from the State Revolving Loan Fund (SRF) administered by the New Hampshire Department of Environmental Services (NHDES). In total, the Commission approved financings and refinancing totaling $14.6 million. The Commission also issued orders relating to the expansion of franchise areas, Water Infrastructure and Conservation Adjustments for Aquarion Water and Pennichuck Water Works, and the sale of Pennichuck Corporation and its three utility subsidiaries to the City of Nashua.



PROCEEDINGS

CITY OF NASHUA STOCK PURCHASE OF PENNICHUCK CORPORATION

In February 2011, Nashua and Pennichuck Corporation filed a Joint Petition for approval of the acquisition of Pennichuck Corporation, citing special legislation enacted in 2010 requiring the Commission to make a public interest finding on the acquisition. Nashua and

Pennichuck proposed to retain all of Pennichuck's current administrative and operations personnel, and to continue to operate the three regulated water utilities under the regulatory review of the Commission. On October 24, 2011 a settlement agreement was filed that recommended Nashua be permitted to acquire Pennichuck Corporation, established a unique ratemaking structure for the three utilities, and required the three utilities to submit new rate case filings on or before June 1, 2013. The Commission approved the settlement agreement in November 2011.

AQUARION WATER COMPANY WATER INFRASTRUCTURE AND CONSERVATION ADJUSTMENT (WICA)

In the previous biennium, Aquarion Water Company of New Hampshire, serving some 9,100 customers in Hampton and parts of North Hampton and Rye, received approval from the Commission to implement a new program, called a WICA (Water Infrastructure and Conservation Adjustment), on a pilot basis. The WICA program involves planned periodic replacement of system infrastructure, subject to review and approval, for which the utility can request a surcharge to customer rates in between general rate increases. The WICA program is limited to main replacement or rehabilitation, meters, hydrants, services, and valve replacements. Each WICA filing illustrates the company's planned WICA construction budget for a three year period.

The primary objectives of the WICA program are to provide an incentive to the utility to increase the rate of replacement of aging infrastructure, mitigate rate shock to customers by permitting recovery of the capital once it is completed, and enhance the reliability of the distribution system by reducing main breaks and by reducing lost and unaccounted for water. Aquarion's program was established as a pilot program beginning in November of 2009. The program continued in this biennium, with approximately $1.77 million of construction completed in calendar years 2011 and 2012. As anticipated when the pilot program was approved, the WICA was to be reviewed in Aquarion's next general rate case. In early 2012 Aquarion filed such a case and the WICA program was reviewed by the Commission. In its decision the Commission agreed to continue the WICA as a pilot program for an additional rate case cycle, indicating that a single rate case cycle was not sufficient time to fully evaluate the program. While noting that the rate of infrastructure replacement had increased under the program, the Commission stated that it was not able to fully measure other objectives of the program and agreed that additional time to evaluate the program was prudent.

PENNICHUCK WATER WORKS WICA

In 2011, Pennichuck Water Works was granted approval to implement a WICA pilot program, and in late 2012, the company filed its first three year program budget for calendar years 2013 through 2015. Pennichuck proposed to expend a total of $6.9 million in capital improvements under the program, with $2.7 million for the first year of 2013. Of significance in Pennichuck's WICA proposals is the coordination with the City of Nashua in water main replacement where streets are being opened for either storm drain or sewer main work. Through this coordination, total costs of main replacement are lowered as a result of shared street opening and subsequent restoration costs. Pennichuck is scheduled to make a filing for its WICA surcharge, based on its 2013 budget, by the end of 2013.

RATE PROCEEDINGS

AQUARION WATER WORKS

Aquarion Water Works filed in May of 2012 for a general rate increase of $1.1 million in revenues or 18.3%. Aquarion cited declining sales, increases in expenses, and recent capital improvements as the primary reasons for seeking an increase in rates. Aquarion also requested in its filing that its WICA program be

approved as a permanent feature of its tariff, citing an increased level of infrastructure replacement and coordination with the municipalities in which it serves as reasons for making the WICA permanent. Aquarion also requested recovery through rates of a new right-of-way tax imposed by the Town of Hampton, noting that this tax was imposed for the first time in 2011. Aquarion also asked for deferral and future recovery of the specific 2011 level of the tax, seeking recovery of this amount over three years. In May 2013, Aquarion, Staff and the Office of the Consumer Advocate filed a partial settlement that covered all areas of the rate case except Aquarion's cost of equity. The partial settlement and the cost of equity were the subject of a final hearing. In June 2013, the Commission provided its approval of the partial settlement and approved a return on equity for Aquarion of 9.6%. Thus, the Commission approved an overall rate increase of 15.2%, continued the WICA as a pilot program for another rate case cycle, and directed Aquarion to file a plan for addressing its peak demand with its next Annual Report.

HAMPSTEAD AREA WATER COMPANY, INC.

Hampstead Area Water Company, Inc. (HAWC) filed in June 2012 a request for a general rate increase of 6.99%. HAWC subsequently amended its rate case filing to request a step adjustment for recovery of additional costs related to personnel expenses and additions to rate base overlooked in its initial filing. In April 2013, Staff and HAWC filed a settlement agreement resolving all issues in the case. The agreement called for an increase in HAWC's revenues of $29,895 or 2%. The agreement also provided for two step adjustments: the first to recover certain capital improvements in HAWC's water systems completed in 2012, thereby increasing rates by an additional 1.81%. The second step adjustment permits HAWC to file, on or after November 1, 2013, for recovery of certain capital improvements undertaken in 2013. These improvements comprise largely the replacement of water main to be funded with State Revolving Loan Funds, and a new well in HAWC's Eastwood Place system. HAWC's ability to file for the second step adjustment is subject to a review of its earnings through September of 2013, to ensure the company would not over-earn if the step is approved. The second step adjustment, subject to audit, was estimated to provide an additional increase in rates of 0.74%. In June 2013, the Commission approved the settlement agreement.

LAKES REGION WATER COMPANY

In the previous biennium, Lakes Region Water Company, serving approximately 1,615 customers in 17 separate systems in central New Hampshire, filed a rate case seeking approval of an increase in its rates of 40.74%. The company also sought approval of a step adjustment for capital improvements anticipated to take place in its Paradise Shores water system relative to a new source of water supply. In addition, three other Commission dockets related to the company were consolidated for final consideration with this rate case: a quality of service investigation; a long term debt approval; and an affiliate contract approval. In several days of hearings in March of 2012, the Commission heard testimony on the company's financial difficulties, its viability as a going concern, and certain management practices. Testimony given by Advocate Staff recommended that, with the company's financial issues and apparent lack of access to outside capital, the company should seek a buyer for its water system that possesses the financial capabilities needed. Non-advocate Staff testified that, based on the company's selected test year of 2009, a rate increase of 18.5% would be appropriate, with an additional 1.18% increase relating to capital improvements completed subsequent to the test year, for a total increase of 19.68%. As part of its recommendation, however, the Staff testified that no provision for federal and state income taxes be provided because of the existence of tax loss carry-forwards the company had available. In July of 2012, the Commission approved a rate increase of 21.45% that included a step adjustment. The Commission also accepted an

affiliate agreement by including certain resulting costs; approved certain loans; and recommended certain managerial enhancements to respond to issues raised in the proceedings, including the addition of new members on the company's board of directors and the hiring of a business manager. The Commission also permitted the company to seek a further adjustment to its rates for the costs of the new manager.

Lakes Region sought rehearing of the Commission's denial of the recovery of income taxes in its revenue requirement, asserting that inclusion of income taxes was appropriate due to the changed circumstances resulting from required amended income tax filings. By order issued in September 2012, the Commission denied the company's request, citing to the long standing principle of the use of a test year for determination of appropriate expenses to be recovered from ratepayers.

In early 2013, Lakes Region filed a request for consideration of emergency rates, citing an inability to pay for income tax liabilities from its 2012 tax year and anticipated for 2013. The company pointed to its cash operating needs and the level of capital investment necessary to operate 17 small, stand-alone water systems as driving its cash flow difficulties. After a hearing held in March 2013 with testimony from Staff, the Office of the Consumer Advocate, and Lakes Region, the Commission denied the company's request, citing the company's strong earnings in 2012 as well as distributions of capital to the company's shareholder. Similarly, after a motion for rehearing was filed, the Commission again denied the request of the company for emergency rates.

LAKELAND MANAGEMENT COMPANY

Lakeland Management Company provides water service to 156 customers and sewer service to 152 customers in the Town of Belmont. Prior to the start of the biennium, Lakeland filed for new rates for both its water and sewer service. Without change in its utility rates since 1997, Lakeland sought an increase of 73.16% in its water rates, and 11.9% in sewer rates. Lakeland cited to increases in its operation and maintenance costs and improvements made in both the water and sewer systems as the reasons for seeking new rates. In December 2011, Staff and Lakeland submitted a settlement agreement for Commission consideration. The agreement recommended a rate increase of 57.02% for water rates, and 12.94% for sewer rates. Staff and Lakeland also proposed a change to Lakeland's sewer rate design, moving rates to a combination of a fixed base charge and a volumetric charge. The existing sewer rate design was based solely on a volumetric charge. After a hearing, the Commission approved the settlement agreement in May 2012, approving the new rate levels and sewer rate design.

NEW FRANCHISES

During the biennium, the Commission approved two requests for service expansion into new franchise areas so that customers with contaminated wells could receive water service. In April 2012, Pennichuck Water Works requested authority to expand its franchise area in the Town of Plaistow. The new service area was requested to serve customers currently affected, or potentially affected by, groundwater contamination from the nearby Beede Waste Oil "Superfund" site. A water main extension from the company's nearby Twin Ridge water system will initially connect 14 customers with service, with the potential for up to 37 additional customers along the route of the extension connecting over time.

In September 2012, the Commission received a request from the City of Somersworth to expand its municipal water service in the Town of Rollinsford. While municipal water systems are generally not regulated, the Commission does have the authority by state law to review franchise expansions into other communities. Somersworth's petition sought approval to utilize an existing water main, first extended into Rollinsford in the 1980s to provide private fire protection to a

manufacturing plant, to now serve four residential properties whose wells have been affected by local groundwater contamination. After an expedited review in order that the effected customers could be connected prior to the winter season, the Commission approved the new franchise area in October 2012.

FINANCINGS

During the biennium the Commission issued 14 orders related to financings, refinancings, and waivers of short term debt limits. Of significance to water utilities is the availability of funds through the Drinking Water State Revolving Loan Fund (SRF), established to assist both public and privately-owned water systems in financing the costs of improvements needed to achieve compliance with federal Safe Drinking Water Act requirements and to protect the public health objectives. The SRF program is administered by the NHDES and provides low interest rate financing for 5, 10, 15 or 20-year periods as well as the potential for partial principal forgiveness for less affluent populations. A water utility submits an application to NHDES to seek funds for a particular project, and all projects are ranked by DES in a competitive process. If successful, the utility must request approval from the Commission under RSA 369 to borrow funds from the SRF program. During the biennium, five regulated water companies received Commission approval for capital projects. These include two loans to Pennichuck East Utility, one in the amount of $400,000 to finance the continuation of its water main replacement program in its Locke Lake system in Barnstead, and the other for $400,000 to finance needed improvements in its Liberty Tree system in Raymond; two loans to Hampstead Area Water Company totaling $255,000 for replacement of service lines in its Atkinson core system; and West Swanzey Water Company, a loan for $40,000 to finance the redevelopment of a well and replacement of well pumps.

Also during this biennium several utilities took advantage of historically low interest rates to refinance existing debt. The Commission approved refinancings for Hampstead Area Water Company, a total of $2,130,000; Aquarion Water Company, $4,000,000; and Pennichuck East Utility, $1,700,000.

SEWER

In December 2012, Bedford Waste Services Corporation, a sewer utility serving 78 customers in the Town of Bedford, filed a petition seeking approval to borrow $170,000 from its shareholder. The funds would be used to refinance an existing loan with its shareholder, repay missed payments on that loan, and finance a portion of a recently completed capital improvements project. A group of Bedford homeowners participated in the review, and made a number of requests to the Commission for consideration with respect to the terms of the new loan and various operational aspects of the system. The homeowners objected to the proposed interest rate, suggesting that more favorable terms could be achieved. Staff supported Bedford's request, but also made recommendations for certain operational aspects of the company's service. Just after the close of the biennium, the Commission approved the loan as requested by Bedford, adopting certain recommendations from Staff and homeowners in operational areas as well as notice to homeowners when maintenance work is performed.

Just prior to the conclusion of the biennium, the Commission received a joint petition from Eastman Sewer Company, Inc., the Eastman Community Association (ECA), and the Village District of Eastman (VDE) for the sale and transfer of the sewer utility. Eastman Sewer, which serves some 535 customers in the Eastman community in the Town of Grantham, is currently owned by the ECA. ECA seeks approval to sell the net assets of the utility to VDE, a municipal entity which owns and operates a water utility also serving the Eastman community. A schedule has been established for the Commission's review of this request and a hearing will take place late in 2013 or early in 2014.

LEGISLATION

The Public Utilities Commission provides assistance to the General Court on subjects within the Commission's jurisdiction and expertise. The agency monitors developments in the industries it regulates and, when appropriate, recommends legislation that will advance the policy objectives of lawmakers interested in these subjects. The Commission focuses principally on assisting the House Science, Technology and Energy Committee and the Senate Committee on Energy and Natural Resources. Such assistance typically comes in the form of research, technical advice, drafting and public testimony. Summarized here are significant enactments relevant to the work of the Commission from the 2012 and 2013 legislative sessions.

2012 LEGISLATIVE SESSION

HB 648 eff. 3/5/12. This law changed a number of aspects of the eminent domain powers available to public utilities. Utilities are now prohibited from referring to eminent domain in negotiations with landowners unless the Commission has already granted the utility eminent domain for the property in question. Before entering land for surveying purposes, a utility must give the landowner 30 days prior notice by certified mail and reimburse the property owner up to $1500 for the cost of an independent property appraisal. Owners receive up to 10% of property value for relocation costs and tenants receive 6 months of actual rent paid to cover relocation costs. If a project is delayed more than five years the utility shall offer the property back to the former owner at its then current market value. Utilities are prohibited from using eminent domain for any electric transmission projects that are not eligible for regional cost allocations for either local or regional transmission tariffs.

HB 1296 eff. 7/13/12. The Legislature increased from 2 MW to 4 MW the maximum amount of combined heat and power capacity that may be net metered to the electric distribution company serving the customer.

HB 1346 eff. 8/17/12. The law now allows a utility customer to hire a licensed contractor approved by the utility to construct a power line extension according to specifications provided by the utility.

HB 1487 eff. 6/21/12. The State of New Hampshire shall not join, implement, or participate in any state, regional, or national low carbon fuel standards program or any similar program that requires quotas, caps, or mandates on any fuels used for transportation, industrial purposes, or home heating without seeking and receiving prior legislative approval.

HB 1490 eff. 6/25/12. The RGGI program was modified on January 1, 2013, to require the Commission to rebate any auction proceeds over $1 per allowance back to utility customers. The fund was renamed the energy efficiency fund, and beginning on January 1, 2013, RGGI funds are to be put into existing Core energy efficiency programs run by the utilities. In the event two New England States, or one state with more than 10% of the total load of the New England states (e.g., MA or CT), leaves RGGI, New Hampshire's participation in RGGI terminates.

SB 48 eff. 8/10/12. The Legislature deregulated the market entry, market exit, transfer of control, rates, terms and conditions of any VoIP or IP-enabled service and providers of such services, except for a few public safety matters and wholesale inter-carrier obligations, and deregulated retail services provided by excepted local exchange carriers. The law created a price cap on existing basic service rates with a 10% increase per year for 8 years and 5% a year for life line customers.

SB 218 eff. 6/18/12. The law now allows biomass facilities to have relaxed emissions standards, if they are participating in a

mitigation plan with the N.H. Department of Environmental Services (NHDES). Producers of thermal energy are now allowed to participate in Class I renewables; the law requires 0.2 percent of Class I to consist of thermal energy renewable energy certificates (RECs) in 2014 with an additional 0.2 percent a year through 2025. The law reduces Class I increases from 1 percent a year to 0.9 percent a year from 2015 through 2025; allows Class III sources to move from Class III to Class I, if eligible, and back again; allows fossil fuel fired generators that co-fire with Class I eligible fuels to qualify some production as a Class I renewable. The law also protects purchase power agreements made under prior law and allows existing small hydro facilities under 1 MW to qualify for Class IV without fish ladders if not required by the Federal Energy Regulatory Commission (FERC). The Commission may now estimate the production of net metered customer sited sources which are not given RECs and credit the renewable production against electric producers REC obligations. The law prevents the Commission from hiring new employees to assist with developing rules and procedures for thermal RECs. Alternative compliance payments (ACPs) for Class II are reduced from $150 to $55. The ACP for Class III is moved to $31.50, Class IV to 26.50 and the consumer price index adjustment for ACPs is reduced to one half of the change in the consumer price index (CPI) for Classes I and II.

SB 256 eff. 6/5/12. The Legislature now requires the Commission to get approval from the Governor and Council for any consulting contracts over $100,000 and for any contracts over $250,000 in cases of mergers or transfers of utilities. This bill is consistent with a recommendation by the Legislative Budget Assistant following its performance audit of the Commission.

SB 266 eff. 6/7/12. This law requires customers to consent in writing before smart meters are installed at their home or business and also allows the customer to request removal of a smart meter.

SB 361 eff. 6/13/12. The Legislature established a commission to study the feasibility of using transportation rights of way as energy infrastructure corridors and to report findings by December 1, 2012. The study commission was dissolved on December 2, 2012.

2013 LEGISLATIVE SESSION

HB 306 eff. 1/1/14. This bill lowers statewide budget allowances beginning in 2014 to near current emissions levels to comply with RGGI program adjustments agreed to within the RGGI participant states. The bill requires the Commission to rebate to all "retail electric customers" any New Hampshire revenues over $1.00 per allowance sold. This is a change from current language providing rebates to "default service customers" and will include municipal electric customers as well as customers taking service from competitive electric suppliers. Consumer protection and allowance price control issues are added to the annual report by DES and the Commission to the legislative oversight committee. The bill also requires that DES and the Commission review New Hampshire specific elements of the RGGI program in 2016 and include the results of such review and any recommendations for revisions to the New Hampshire RGGI program in their annual reports to the legislature. The bill adds allowances to be released by DES in the years 2014 through 2020 in order to accomplish cost containment if allowance prices exceed escalating caps.

HB 368 eff. 5/16/13. This bill amends the Telecommunications Planning and Development Advisory Committee, which shall meet quarterly and includes the chairman of the Commission or designee. Among other things, the committee assists the director of broadband technology planning and development within DRED to assess broadband infrastructure within the state, identify funding sources, and promote affordable reliable broadband service to all state citizens.

HB 542 eff. 7/27/13. This bill originally dealt with changes to the renewable portfolio

standard and the renewable energy fund, but was amended in the Senate to include changes to the regulation of VoIP and IP- enabled providers. The bill provides that Class II (solar) moneys in the renewable energy fund be used primarily to support solar technologies in NH and raised the cap on generating capacity for certain incentive programs from 5 kilowatts to 10 kilowatts. The RPS new Class I requirement for 2013 was reduced from 4% to 3.8% and the thermal component increased an additional 0.9% from 2015 through 2025. RPS Class III (biomass) decreased from 6.5% in 2012 to 1.4% and from 6.5% in 2013 to 1.5% and from 7.0% in 2014 to 3.0%. The bill also clarified that RPS standards will continue after the year 2025. Language was added to make the new Concord Steam Project eligible for Class I thermal renewable energy certificates. The bill sets the ACP for Class III to $45 in 2015-2017 and makes other changes to the ACP consumer price index (CPI) adjustment. The bill also establishes an RPS study committee to study whether to alter Class III after 2018 and whether to alter Classes I, II and IV in 2015 and beyond, as well as other issues related to RPS and ratepayer and regional impacts. The committee must report its findings to the governor, the legislature and the State library by November 1, 2013.

Finally, the non-germane amendment added by the Senate eliminates "end user" from the definition of IP-enabled service, provides that VoIP and IP- enabled services are not public utility services and providers of such services are not public utilities. The bill as amended, narrows the definition of basic service to eliminate dial tone when combined with a feature or another service from the definition of basic service and as a result, limits customers from seeking Commission assistance on consumer issues.

HB 630 eff. 1/1/14. The law now requires that 15% of revenues received from the sale of RGGI allowances, (not rebated to customers, i.e., proceeds under $1.00) be allocated to the Core energy efficiency programs for low income customers.

HB 634 eff. 9/7/13. The law allows water resource protection and management plans to be included in municipal master plans and makes clear that the bill does not enable municipalities to regulate surface or groundwater withdrawals.

SB 11 eff. 9/8/13. The law now provides for the formation of water or sewer districts by municipalities and also provides a process for formation of such districts by multiple municipalities. The law further provides for the governance of multiple municipalities in one district, defines the costs of services provided by a district, and provides for capital improvements and the assessment of fees.

SB 98 eff. 7/24/13. The Legislature removed the "beginning operation after July 1, 2010" restriction on net metered facilities between 100kW and one MW, and now allows for incremental renewable generation capacity on an existing non-renewable source to qualify as renewable for net metering purposes. The law also establishes a process for a customer generator to become a group host for a group of customers within the same electric distribution utility's service territory. The group host must certify that the total historic usage of the group exceeds the projected output of the customer generator's facility and must register with the Commission. The distribution utility shall then pay the group host monthly for the output offset against the group and the group host is responsible for any payments to the group. There is an annual true up of the group's usage against the customer generator's output. The law now requires a report from the Commission on the renewable energy fund and on net metering and group net metering to the electric utility restructuring oversight committee, the house science and technology committee and the senate energy and natural resources committee.

SB 99 eff. 6/26/13. This law provides that the office of energy and planning (OEP) together with the senate energy and natural resources committee and the house science and technology committee conduct a study of the site evaluation committee's (SEC's) organization,

structure and process, identifying deficits and needs, and roles of municipalities and the public. The study process shall be public and the committee shall adopt rules pertaining to criteria for siting energy facilities by January 1, 2015. OEP shall conduct a public stakeholder process to determine siting criteria with the help of a consultant and shall report of the results of the stakeholder process by January 1, 2014. Funding for OEP's use in this process shall be provided by the Commission through up to $200,000 from the system benefits charge (SBC) energy efficiency funds, the renewable energy fund, or the energy efficiency fund. OEP may also access other funding sources.

SB 123 eff. 1/1/14. In allocating funds under $1.00 from the sale of RGGI allowances, the Commission shall first allocate 15% of the funds to the SBC energy efficiency core programs for low income customers and beginning on January 1, 2014, the utilities shall allocate up to $2,000,000 a year of the remaining RGGI proceeds annually to be used by municipal and local governments for energy efficiency, including municipalities served by municipal utilities. Funding may go toward direct technical and project management. In calendar years 2014, 2015 and 2016, any unused funds allocated to municipal and local government projects shall roll over at the end of the year and be added to subsequent calendar years. If at the end of 2016 municipal and local governments have not submitted projects for these funds, the funds shall be offered to commercial and industrial customers who have contributed to the SBC on a first-come first-served basis.

SB 175 eff. 6/19/13. This law enacts two new statutory sections, RSA 371:17-a and RSA 371:17-b, and amends provisions of RSA 371:18-20. Under RSA 371:a, any public utility, other than an electric or gas utility, and any other corporation or individual that proposes to construct a cable, conduit, or wires and fixtures upon an existing line of poles or towers over, under, or across any public waters or state-owned land must file a written notification with the Commission. The notification shall contain a description of the specific geographic and pole locations of the crossing; verification that there is a valid pole attachment license or that an application for a pole attachment license has been submitted to the utilities that own the poles or towers; and an affidavit confirming that the crossing will be completed in compliance with such pole attachment license and the National Electrical Safety Code. Upon receipt of written notification, the Commission shall grant the license without further inquiry.

Under RSA 371:17-b, existing crossings on existing poles as of June 19, 2013, that were not previously licensed will be considered temporarily licensed. Any party seeking a final license for such existing crossings must file a complete list identifying the specific geographic and pole locations of each existing crossing with the Commission on or before June 19, 2015. Upon receipt of this list of existing crossings, the Commission shall issue a final license without further inquiry.

SB 188 eff. 7/24/13. The Legislature expanded the definition of "municipally-owned utility" to include a utility that is owned in its entirety either directly or indirectly by a municipality or by a department, instrumentality, company, or corporation that is owned in its entirety by a municipality. This definition applies to RSA 228:22, which provides that if a state highway project, funded in part by state highway monies and supervised by the department of transportation, requires the relocation of underground municipal utility facilities, the cost of trenching and back filling shall be paid for through the highway project budget, and also the state shall pay the municipal utility the book value of facilities retired as part of the highway project. The bill was supported by Pennichuck Water Company, the stock of which is owned by the City of Nashua.

SB 191 eff. 7/24/13. This law requires that OEP and the state energy advisory committee (comprised of the chair of the commission, the commissioner of the department of environmental services, 2 senators and 3 house members) develop a 10-year state energy strategy to be updated every three years beginning in 2017. The process must allow

public participation and a consultant to be funded up to $200,000 from the energy efficiency portion of the SBC, the renewable energy fund or the energy efficiency fund or other funding sources under the Commission's jurisdiction. OEP may also utilize other funding sources. A draft energy strategy is due May 1, 2014; the final strategy is due September 1, 2014. The section creating the state energy advisory committee is repealed effective Dec. 31, 2014.

PRIMARY STATUTORY AUTHORITY

RSA 38	Commission authority over certain municipal utility operations and disputes between municipalities and public utilities.
RSA 125-O:23	Commission authority over use of the Greenhouse Gas Emissions Reduction Fund.
RSA 362:1-4-d	Scope of jurisdiction over public utilities - electric, telephone, water, sewer, gas and pipelines.
RSA 362-A	Authority of Commission regarding limited energy producers and qualifying co-generators, purchase of electric output under Commission approved rate orders, procedures for buy-down, buy-out or renegotiation of rate orders, and net energy metering.
RSA 362-E	Authority for Commission to administer telecommunications equipment assistance program and to collect funds for operation of telecommunications relay service.
RSA 362-F	Authority for Commission to implement New Hampshire's Renewable Portfolio Standards for providers of electricity, including utilities and competitive suppliers, and authority over use of the Renewable Energy Fund.
RSA 363:1-21, 27	Enabling statute for the Commission, providing for appointment, removal, compensation, etc. of Commissioners, structure and composition of staff; procedural and ethical guidelines for the operation of the Commission and authority to contract for power.
RSA 363:22-23	The Commission's jurisdiction to investigate interstate rates, fares, and charges and authority to petition any federal government department for relief.
RSA 363:28-28-a	Establishing the Office of Consumer Advocate and Residential Ratepayers Advisory Board.
RSA 363:30-36	Procedures to designate advocacy and advisory staff and assess costs if necessary.
RSA 363-A	Authority for the Commission to assess expenses of the Commission against certain utilities.
RSA 363-B	Procedures for termination of certain utility services.
RSA 364	Jurisdiction of the Commission in certain circumstances to investigate the public need for a municipality to acquire an existing public utility, construct a public utility or expand an existing municipal utility and to determine the feasibility of such plans.
RSA 365:1-21, 23, 25-28, 37-38, 41-44	Procedures governing complaints against public utilities; investigations of public utilities; proceedings before the Commission; fees and costs as well as penalties and other sanctions for noncompliance.
RSA 365:29-30, 34-35	Authority of Commission to order reparations for up to two years of illegal or unjustly discriminatory rates.

RSA 365:38-a	Authority of Commission to allow recovery of costs associated with Commission proceedings, including authority to grant compensation to certain intervenors for cost of participation.
RSA 366	Authority of the Commission over contracts between utilities and affiliates, sale of utility securities to employees, and information to be disclosed regarding control of utilities and affiliates.
RSA 369	Commission authority over public utilities and their financings, including securities, mortgages, short- and long-term debt, and limited role over certain mergers and reorganizations.
RSA 369-A	Standards for electric rate reduction financing, a significant component of electric industry restructuring.
RSA 369-B	Detailed standards for electric rate reduction bonds, a component of electric industry restructuring, and terms under which PSNH may divest generation assets.
RSA 370:1-9	Authority of the Commission regarding service equipment of public utilities, including the determination of units of service, standards for meter accuracy and related enforcement procedures.
RSA 371	Authority of the Commission over public utility condemnation proceedings, Commission approval authority for utility crossing over public waters and State-owned land.
RSA 374	General regulations governing the Commission, including general supervision of public utilities, franchising requirements, and certain provisions specific to telecommunications services, including the mandate to ensure affordable basic telephone service.
RSA 374:3-a, RSA 374:3-b	Commission authority to use alternate forms of utility regulation, and regulatory standards for small incumbent local exchange providers.
RSA 374:48-56	Commission authority to administer the Underground Utility Damage Prevention System.
RSA 374-F	Authority and procedures for the Commission to implement competition in retail electric service, restructuring principles, transition and default electric service, stranded costs, collection and uses of system benefits charge, registration for competitive electricity suppliers.
RSA 374-G	Commission authority to allow rate recovery for utility investments in distributed energy resources.
RSA 378	Authority of the Commission and procedures, including time limits, regarding public utility rates, fares, charges and prices; establishment of local calling areas and reduction in access charges; standards for special contracts for electric and telecommunications services; confidentiality provisions specific to telecommunications services; prohibition against construction work in progress in rates; requirement for electric utilities to file biennial least cost plans; and regulation of certain billing practices by utility companies.
RSA 674:30	Authority of the Commission to exempt structures used by a public utility from municipal regulation.

OFFICE OF CONSUMER ADVOCATE

THE OCA REPRESENTS RESIDENTIAL UTILITY CUSTOMERS

The Office of the Consumer Advocate (OCA) is a state agency representing the interests of residential utility customers. The OCA is administratively attached to the Public Utilities Commission (Commission), which provides business services for the office. The OCA is funded through an assessment on New Hampshire's regulated utilities.

The OCA represents the interests of residential customers as a group. Most often the OCA's advocacy takes place before the Commission and the New Hampshire state legislature. Increasingly, the OCA participates in regional and national matters as larger geographic markets influence New Hampshire's residential rates. At all times, the OCA works to further consumer knowledge of utility rates and related concerns.

The Consumer Advocate is an unclassified state employee appointed for a four year term by the Governor and approved by the Executive Council. The Consumer Advocate leads a staff of four full-time classified state employees: an attorney who serves as the Assistant Consumer Advocate, a Finance Director, a utility analyst, and a legal assistant.

The OCA actively participated in over 100 matters during the last biennium, including cases and rulemakings at the Commission and legislative hearings. The OCA's annual budget for FY 2012 was $704,069. For FY 2013 it is $695,235.

ADVOCACY AND OUTREACH

By statute, the Consumer Advocate is responsible for furthering consumer knowledge and education. See RSA 363:28 (IV). Currently the OCA accomplishes this goal in the following ways: through its web site at www.oca.nh.gov; press releases; media interviews; one on one conversations with residential consumers; and participation in public forums on residential rate related concerns. The Residential Ratepayers Advisory Board meetings are open to the public and typically include speakers on utility issues.

Specifically, the OCA's website contains: retail energy supplier data; summaries of OCA cases; OCA press releases, newsletters, useful links, and information on the Residential Ratepayers Advisory Board. It also includes instructions on how to read utility bills; how and where to file a complaint about a public utility; how to become involved in a Commission docket; information on energy efficiency resources; and financial assistance programs for utility customers.

To more fully engage the public in education initiatives, the OCA seeks to add a full time consumer education and outreach program director. An employee dedicated to public outreach would increase the OCA's ability to provide timely information to utility consumers. The program director would update the webpage and activity reports weekly, rather than quarterly, coordinate public events on residential utility concerns, draft monthly newsletters, and create opportunities for consumer feedback on regulatory policies.

THE OCA AT THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

In all cases the OCA scrutinizes each component of a requested rate increase to ensure that rates remain as low as possible while providing for the cost of service. For example, in 2012, Aquarion Water Company filed for a rate increase. The OCA, along with other parties, successfully advocated for a reduced return on equity (ROE), from a proposed 10.25

percent to an authorized 9.6 percent. This new ROE created an annual savings to customers of approximately $200,000 and set a lower ROE benchmark rate for other company rate filings.

In an electric utility case, the Commission opened an investigation concerning Unitil's overcharge of approximately $1.8 million to a business customer caused by defective electrical equipment. The OCA contributed to a settlement which eliminated 10 months of interest charges, saving customers approximately $250,000.

The OCA successfully advocated for full-scale, fuel-neutral residential home energy efficiency programs. This program, called the Home Performance with Energy Star (HPwES) includes insulation, air sealing, ENERGY STAR rated space heating and water heating upgrades, and inefficient appliance and lighting upgrades. The Commission's authorization of HPwES addressed the need for insulation and weatherization services for residential customers who do not heat their homes with electricity, allowing residential customers with high home heating costs - regardless of fuel type - to receive whole-house audits. This is consistent with New Hampshire's energy efficiency policies and improves the customer service experience for a residential customer. Now a homeowner can identify all energy savings opportunities in one audit, eliminating the need for multiple audits for each fuel type used in the home.

In addition to adjudicative proceedings, the OCA represents residential customers' interests in rulemaking dockets at the Commission. The OCA is currently participating in rulemakings for Competitive Electric Service Providers, Electric Utilities, Tariff and Special Contract Rulemakings and customer service protections.

THE OCA AT THE NEW HAMPSHIRE LEGISLATURE

At the beginning of each legislative session the OCA reviews all bills and determines which, if any, require monitoring or advocacy. In this biennium, the legislature returned to electric utility restructuring, energy efficiency and renewable energy policies. The OCA participates through a range of activities including presenting testimony and information before legislative committees, providing research and analysis to legislators, participating with bill sponsors and other stakeholders in drafting proposed legislation, and serving as a resource to residential customers and the general public for questions about proposed legislation.

Due to the complexity of issues related to regulated utilities and our daily immersion in the application of law to utilities and consumers, the OCA is uniquely situated to assist policymakers while advocating for the interests of residential customers. The OCA attends Legislative Electric Restructuring Oversight Committee meetings to advocate for legislative changes in support of residential ratepayers.

COLLABORATING WITH OTHER STAKEHOLDERS

The OCA participates collaboratively with other interest groups before the Commission and at the Legislature. We are a resource to any customer or interested party who seeks information about a utility case, utility rates or practices, or about Commission processes.

We strive in every adjudicative proceeding to find common ground with other parties, including utilities and Commission Staff, to maximize our efficiency through collaborative resolution of issues when appropriate. The OCA resolves cases through settlement when to do so is the better means of protecting residential ratepayers.

The OCA is a member of the Electric Assistance Program (EAP) Advisory Board, and the Energy Efficiency and Sustainable Energy Board (EESE Board). In these roles, the OCA collaborates with various state agencies, legislators, and other public and private stakeholders. The OCA works with the

Commission, the Office of Energy and Planning, and the Department of Environmental Services on a wide range of projects to ensure that the interests of residential utility consumers are represented in environmental and long term state planning initiatives.

THE OCA AT THE REGIONAL AND NATIONAL LEVELS

As a result of the restructuring of the electric and natural gas industries, as well as federal authority over the telecommunications industry, the OCA is involved with regional and federal regulatory actions. The OCA is a member of the National Association of State Utility Advocates (NASUCA), an organization of consumer representatives at the federal and state levels. Members of the OCA staff participate in NASUCA committees addressing consumer protections in the electric, natural gas, telecommunications, and water industries. Through NASUCA the OCA keeps abreast of developments throughout the country, and often joins other advocates in filings with agencies such as the Federal Communications Commission (FCC) and the Federal Energy Regulatory Commission (FERC).

The New Hampshire OCA joined state agencies from Maine, Massachusetts, Rhode Island, and Connecticut to protest ISO New England Inc.'s (ISO-NE's) proposal to increase its budget, paid for by electric customers, by nearly 10 percent. The state agencies achieved a settlement for regional savings of $2.5 million and an agreement by the ISO-NE to reform its budget review process, allowing greater transparency and state-level review.

The OCA also joined its regional consumer advocates to push for a reduction of the base return on equity (ROE) earned by owners of interstate electric transmission lines from 11.14 percent to 9.7 percent. The Federal Energy Regulatory Commission (FERC) Administrative Law Judge accepted this recommendation in August 2013. If approved by FERC, early estimates of savings to New Hampshire customers are approximately $20 million annually.

For federal and regional electric issues, the OCA employs a consultant in collaboration with several consumer advocates in other New England states to advance the interests of New Hampshire residential utility consumers in out-of-state forums, including FERC and the ISO-NE. The OCA is the only voting member representing New Hampshire ratepayers within the Market Participants Committee at the New England Power Pool (NEPOOL), an industry committee on regional market design and transmission rates. The OCA also participates in the Consumer Liaison Group, which seeks to increase residential customer participation at the ISO-NE.

THE OCA'S ROLE WITH CONSUMERS

The OCA is committed to keeping consumers aware of industry trends and current rate related policies, as well as initiatives such as energy efficiency and low-income assistance programs. The OCA regularly assists individual consumers by providing utility contact data, information about Commission procedures and references to relevant legislative proposals. The OCA receives weekly phone calls, letters and emails with consumer questions and concerns. To get a response to the consumer as quickly as possible, the OCA records basic information about the complaint and notifies the Commission's Consumer Affairs division and the appropriate utility customer service representative about the problem.

The OCA receives questions about all types of consumer issues, not just those related to public utilities. The OCA endeavors to help all members of the public by identifying the most appropriate resources available to address the consumer's questions or concerns. To the extent the OCA becomes aware of a pattern of consumer complaints or inquiries about a utility, the OCA can request Commission or legislative action on behalf of all residential customers. The OCA's advocacy may occur within the context of a pending proceeding or may take the

form of an independent request for Commission action.

RESIDENTIAL RATEPAYERS ADVISORY BOARD

In 1999 the Legislature established a Residential Ratepayers Advisory Board to advise the OCA. The Board consists of nine members: three appointed by the Speaker of the House; three appointed by the Senate President; and three appointed by the Governor and Executive Council. The Board members represent a broad range of interests including senior citizens, people with disabilities, small business owners, low-income individuals, residents of public housing, and environmental issues. Current Board members are listed at http://www.oca.nh.gov/Advisory%20Board/AdvBrdRoster.pdf.

The Board, which meets quarterly, discusses policy decisions and assists in prioritizing the OCA's activities. The Board has the responsibility to recommend to the Governor a nominee for the Consumer Advocate position upon the expiration of the Consumer Advocate's four year term. Board meetings are open to the public and all meeting materials are posted on our website.

CONCLUSION

The activities described above have kept the OCA very busy during the last biennium. We look forward to continuing to serve the residential ratepayers of New Hampshire effectively and efficiently in the next biennium.

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