STATE OF NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

DE 16-576

Development of New Alternative Net Metering Tariffs and/or Other Regulatory Mechanisms and Tariffs for Customer-Generators

Order Denying Motion to Designate Staff Advocates

<u>**O R D E R** <u>**N O**</u>. <u>25,980</u></u>

January 24, 2017

In this Order, the Commission denies the motion of the Office of the Consumer Advocate to designate staff advocates pursuant to RSA 363:32. That statute does not apply to this proceeding, and the Consumer Advocate has otherwise failed to demonstrate any reason to believe that Commission Staff cannot fairly and neutrally advise the Commission in this docket.

I. PROCEDURAL HISTORY

In House Bill 1116-FN (2016), the legislature delegated its authority to develop net energy metering tariffs to this Commission. The legislature directed the Commission to develop new alternative net metering tariffs, specified factors that the Commission must consider in developing those tariffs, and required the Commission to initially approve or adopt a tariff within a ten month period. *See* RSA 362-A:9, XVI –XVII (West Supp. 2016). Pursuant to that delegation, the Commission issued an Order of Notice on May 19, 2016, opening this proceeding. The next day, the Office of the Consumer Advocate (OCA) filed a notice of its intent to participate in the docket, pursuant to RSA 363:28. Numerous persons stated their varied interests in participating in the proceeding and were granted intervention. Following a prehearing conference and technical sessions, the Commission adopted an expedited procedural schedule designed to ensure that the Commission would meet the legislature's ten-month timetable. That schedule was amended several times to allow the participants adequate time to prepare their testimony and to conduct adequate discovery. On December 21, 2016, numerous participants filed rebuttal testimony. Commission Staff (Staff) filed the Rebuttal Testimony of Stan Faryniarz, an expert hired to advise the Commission. On the same date, the Commission issued an order adopting a net metering tariff, on an interim basis, in order to comply with the legislature's timetable. The Commission subsequently extended the dates set for hearing to allow the participants adequate time to prepare a more robust record for the development of a longer-term tariff.

On January 12, 2017, the OCA filed a "Motion for Designation of Staff Advocates Pursuant to RSA 363:32." The City of Lebanon and the New England Ratepayers Association concurred without filing independent motions. Given the need to resolve the OCA's motion quickly, the Commission, by secretarial letter, directed any objections to be filed by January 18. Staff, the Energy Freedom Coalition of America, LLC (EFCA), and the New Hampshire Sustainable Energy Association (NHSEA) all filed timely objections to the OCA's motion. The OCA filed a letter reply to the three objections on January 19.

The OCA's Motion and Reply and the EFCA, NHSEA, and Staff Objections can be found at <u>http://puc.nh.gov/Regulatory/Docketbk/2016/16-576.html</u>.

II. POSITIONS OF THE PARTIES AND STAFF

A. The Office of the Consumer Advocate

The OCA argues that the Commission should designate its expert, Stan Faryniarz; its Director of the Sustainable Energy Division, Karen Cramton; and its staff attorney, David K. Wiesner as staff advocates pursuant to its discretion under RSA 363:32, II. OCA Motion at 1, 5 and OCA Reply at 2. RSA 363:32 permits, and under certain circumstances requires, the Commission to designate staff advocates "whenever the commission conducts an adjudicative proceeding in accordance with the provisions of RSA 541-A:31 through RSA 541-A:35." OCA Motion at 2; *see also* RSA 363:32 (West Supp. 2016). The effect of such a designation is to prohibit Commissioners from communicating with staff advocate advisors except upon notice and opportunity for all parties to the adjudicative proceeding to participate. Once Staff members are designated as staff advocates, communications without the opportunity for other parties to participate are considered to be *ex parte*. OCA Motion at 2; *see also* RSA 363:34.

The OCA argues that (1) "[t]his is a contentious proceeding of high visibility" OCA Motion at 2; *see also* OCA Reply at 2 ("this highly visible and controversial proceeding") and (2) Staff and Mr. Faryniarz have adopted "a highly controversial position in the context of this docket." OCA Motion at 4; *see also* OCA Reply at 2 ("the consultant hired by Staff has foregone a neutral posture"); OCA Motion at 5 ("it is clear that this is a textbook example of a situation in which 'the proceeding is particularly controversial and significant in consequence' and 'the proceeding is so contentious as to create a reasonable concern about staff's role, pursuant to RSA 363:32" *quoting* RSA 363:32, II).

As evidence of the highly visible nature of this docket, the OCA points to the number of participants (over 30) and states, "The eyes of the nation are on this proceeding." OCA Motion at 2. As evidence that Staff and Mr. Faryniarz have taken a "highly controversial position," the OCA identifies one paragraph in Mr. Faryniarz's 136 pages of prefiled testimony, in which Mr. Faryniarz states:

Staff recommends that the Commission consider whether the current and nearterm levels of cost-shifting are significant enough to address at this time or rather, given the current relatively low levels of DG resource penetration, whether an approach based on the net metering compensation mechanism currently in place should be sustained for the nearer term until DG resource penetration levels

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increase to a threshold (e.g., 10% of utility peak load) that might result in more substantial cost-shifting.

Faryniarz Rebuttal Testimony at 79, quoted in OCA Motion at 3.

The OCA's Motion assumed and therefore did not address whether this is an "adjudicative proceeding" to which RSA 363:32 applies. In its reply letter, and in response to the three objections filed, the OCA argues that (1) the Commission has employed all of the trappings of an adjudication; therefore, the docket must meet the statutory definition of "adjudicative proceeding," (2) this cannot be a legislative-type proceeding; otherwise, the legislature would have developed a net metering tariff on its own instead of delegating that responsibility to the Commission, and (3) because the OCA has assumed so far that this is an adjudicative proceeding and has relied on the Administrative Procedure Act and the Commission's rules, holding now that this docket is legislative in nature would raise questions of due process and fundamental fairness. OCA Reply at 2-3. The OCA urges that we not determine that this is a legislative instead of an adjudicative proceeding, because that would require the OCA to "interpose ongoing objections at suitable junctures" to preserve its rights. OCA Reply at 2. Instead, the OCA asks us to avoid deciding that threshold question and proceed to the merits of its motion. *Id.*

B. Objecting Parties

EFCA, NHSEA, and Staff filed separate objections with arguments in common. All make the foundational argument that the disqualification provisions of RSA 363:32 apply only to adjudicative proceedings and not to legislative proceedings such as this docket. EFCA points out that the order of notice opening this docket does not state that this is an adjudicative proceeding, as many of our orders of notice do. EFCA Objection at 3 and n. 9. EFCA also argues that this is not a "contested case" and therefore not "an "adjudicative proceeding in accordance with the

provisions of RSA 541-A:31 through RSA 541-A:35" to which RSA 363:32 applies. *Id.* EFCA cites to *Appeal of Pennichuck Water Works*, 120 N.H. 562, 565-66 (1980), for the proposition that a rate-setting case such as this is a legislative matter in which the Commission will rule on matters of general applicability, and that as such, "RSA 363:32 neither applies nor can serve as the basis for designation." *Id.* at 5 and n.18.

NHSEA argues that, although this docket has features of an adjudicative proceeding such as discovery, it likely does not meet the definition of a "contested case" or an "adjudicative proceeding" under the Administrative Procedure Act. NHSEA Objection at 2 and n.1. NHSEA asserts that this docket more closely resembles a rulemaking than an adjudicative proceeding. *Id.*

Staff argues that this docket was opened pursuant to a legislative directive to develop net metering tariffs, and so involves only "tariff development and rate-setting, with prospective effect" Staff Objection at 3. Staff asserts that this type of docket is legislative. Staff relies on New Hampshire Supreme Court and Commission orders in which the Court and Commission have ruled that proceedings to set rates are legislative and not adjudicative proceedings. *Id.* at 2-3 (citing *Appeal of the Office of the Consumer Advocate*, 134 N.H. 651, 659 (1991), and *Generic Investigation into IntraLATA Toll Competition Access Rates*, 77 NH PUC 553, 555-56 (1992) (Order No. 20,608). Given that precedent, Staff argues this is not "a contested case in which the legal rights, duties, or privileges of any party must be determined by the Commission after notice and an opportunity for a hearing." *Id.* Staff concludes that the statute on which the OCA relies does not apply; therefore, the OCA's motion must be denied. *Id.*

EFCA, NHSEA, and Staff all argue further that if RSA 363:32 applies, then the OCA has not stated sufficient reason to designate staff pursuant to that statute. Specifically, all argue that the OCA failed to demonstrate that Staff "may not be able to fairly and neutrally advise the

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commission on all positions advanced in the proceeding," the requisite finding for mandatory designation pursuant to RSA 363:32, I. *See* EFCA Objection at 5-6; NHSEA Objection at 2-3; Staff Objection at 4-7.

Likewise, EFCA, NHSEA, and Staff all address the three factors the legislature suggests the Commission evaluate when considering whether to exercise its discretion to designate staff advocates under RSA 363:32, II. EFCA asserts that the OCA is alone in manufacturing contentiousness in this docket, and that the OCA's argument that designating staff advocates would facilitate settlement discussions is merely an unsubstantiated allegation. EFCA Objection at 6.

NHSEA states that this has not been a contentious proceeding and represents instead that the parties have worked collaboratively. NHSEA argues that it is not enough to merely state that a case is controversial, significant, or contentious. They argue that the OCA must show how the nature of the case is likely to impact Staff's ability to provide the Commission with fair and neutral advice, taking into account that Staff enjoys a presumption of fairness. NHSEA Objection at 3. NHSEA asserts that the OCA has not provided anything that would overcome the Staff's presumption of fairness. *Id*.

Staff asserts that the statement the OCA characterizes as "highly controversial" is merely a recommendation, and is just an assessment of the state of the record on a single issue in the docket. Staff criticizes the OCA's proof as "wholly inadequate to demonstrate that the nature of the proceeding is likely to impact Staff's ability to provide the Commission with fair and neutral advice" Staff Objection at 9. Staff also argues that the OCA has failed to explain or support its contention that designation of staff advocates would facilitate settlement discussions. *Id*.

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Staff concludes that the OCA failed to identify sufficient grounds to designate staff advocates under RSA 363:32, II.

Last, EFCA, NHSEA, and Staff make arguments based on the practicalities of this docket. EFCA believes that this docket is "extraordinary in both the scope of its subject matter and in the level [of] activity and volume of material." Further, the docket is both complex and technical. EFCA Objection at 4-5. EFCA summarizes Staff's role in this proceeding as having been to "gather, assess, analyze, and summarize as many facts and positions as possible." *Id.* at 7. EFCA opines that "[i]f there was ever a proceeding where the Commission needed its staff to play [the] role of expert guide, this is it." *Id.* at 5. They continue: "As an administrative matter, without staff playing this role, the Commission will be hard-pressed to achieve the mandate set forth by the General Court in HB 1116." *Id.* at 5 and 7.

NHSEA argues that designating staff advocates at this point, so close in time to evidentiary hearings, would introduce "unneeded complexity and delay into the proceeding and the Commission's decision making process." NHSEA Objection at 4.

III. COMMISSION ANALYSIS

Regardless of whether this is an "adjudicative proceeding" to which the Designation Statute (RSA 363:30 -:36) applies, our primary concern in this docket is whether our Staff is performing its advisory function in a fair and neutral manner. We have reviewed the OCA's basis for requesting designation of staff advocates, the arguments made in response, and the record of cooperation in this docket. We find no basis to conclude that Mr. Faryniarz, Ms. Cramton, or Mr. Wiesner is unable to provide the Commission with neutral advice. We find that Staff has acted in a fair and neutral manner, that designation of staff advocates is not

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justified under the statute or otherwise, and that designation would actually delay and disrupt our efforts to fulfill the legislature's directives; therefore, we deny the OCA's motion to designate.

A. RSA 363:32 Does Not Apply to this Proceeding

Although the OCA brought its motion pursuant to RSA 363:32, II, the Designation Statute does not apply to this docket, and we deny the motion on that basis. The Designation Statute applies only when the Commission conducts an "adjudicative proceeding" in accordance with RSA 541-A:31 -:35. An "adjudicative proceeding" is defined as "the procedure to be followed in contested cases before the commission, as set forth in RSA 541-A:31 through RSA 541-A:35." RSA 363:30, I. A "contested case" is defined as "a proceeding in which the legal rights, duties, or privileges of a party are required by law to be determined by an agency after notice and an opportunity for hearing." RSA 541-A:1, IV.

We find that this is a legislative docket and not an "adjudicative proceeding" within the meaning of the statute. We opened this proceeding in response to a legislative directive to develop net metering tariffs, which is fundamentally a rate setting function. Prior to our adoption of a net metering tariff in Order No. 25,972 in this docket, the general net metering tariff was set forth in statute by the legislature itself. *See* RSA 362-A:9, IV. In HB 1116 (2016), *codified in* RSA 362-A:9 (West Supp. 2016), the legislature delegated the authority to develop net metering tariffs to the Commission, presumably because of our rate-setting expertise, and set out the broad policy considerations that are to guide our work. As EFCA points out, "[t]he tariffs ... to be developed will apply broadly and prospectively to the whole state; and will affect multiple classes of parties, multiple parties within each class, and all stakeholders in the electric industry, not just a specific utility, solar developer, or rate-payer." In other words, we are not deciding the "legal rights, duties, or privileges of a party," the essential characteristic of a

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contested case and an adjudicative proceeding. In this docket, we are completing a legislative function at the direction of, and with guidance from, the legislature.

The relevant distinction between dockets involving our legislative rate-setting function and our judicial, adjudicative function is well described in case law and our own orders. In *Appeal of Pennichuck Water Works*, Pennichuck challenged the Commission's determination that its permanent rate increase should apply only to new services, and not be applied to water that had already been supplied to customers. *Pennichuck Water Works*, 120 N.H. 562, 564-65 (1980). The New Hampshire Supreme Court reasoned that the Commission could not have ruled otherwise because, "The PUC, when it determines the rates to be charged by public utilities, is performing essentially a legislative function" *Id.* at 565. Consequently, if the Commission were to set a rate applicable to services that had already been provided, the Commission would be retroactively altering the law and established contractual relationships. That, according to the Supreme Court, would have "exceed[ed] the limitations imposed upon the exercise of [our legislative] function under our State and Federal Constitutions." *Id.* at 565-66.

In *Appeal of Office of Consumer Advocate*, the OCA challenged our decision to grant a water company's petition for a temporary rate increase. The OCA argued in that appeal that it was improper for the Commission to take administrative notice of the utility's annual reports under the "adjudicative proceeding" provisions of the Administrative Procedure Act, in particular RSA 541-A:18. *Appeal of Office of Consumer Advocate*, 134 N.H. 651, 659 (1991). The Supreme Court declined to address the OCA's argument after concluding that the Commission had not commenced an "adjudicative proceeding," citing *Pennichuck Water Works* for the proposition that in setting rates, the Commission is performing what is essentially a legislative function. *Id*.

The OCA none-the-less argues that this must be an adjudicative docket because we have employed adjudicative procedures to develop a record. We understand and appreciate that our use of adjudicative-type procedures to perform our legislative function may be confusing to some. We noted this confusion in *Generic Investigation into IntraLATA Toll Competition Access Rates*, 77 NH PUC 553, 555-556 (1992) (Order No. 20,608), another docket in which the OCA moved to designate staff advocates. There we explained that:

It has been, and continues to be, our practice to have Staff present its advice in the form of expert testimony in an "adversarial" setting, thereby allowing any party which may disagree with such advice to test its accuracy and its theoretical basis via cross-examination and rebuttal testimony. It is useful, in fact, for Staff to occasionally provide testimony which is contrary to a petitioner's position, even when it is not its own recommended position, because it provides a better balanced record from which the Commission can make a decision. This practice of conducting adversarial proceedings in all but rulemaking proceedings, however, should not be construed by parties that appear before us as the conversion of a legislative function into an adjudicative function. We employ adversarial style hearings in both legislative and adjudicative proceedings for the benefits set forth above.

Id. at 555. Our exposition in Order No. 20,608 was based in part on the Supreme Court's holding in *Appeal of Office of Consumer Advocate*, in which the Supreme Court reasoned that we had never opened an adjudicative proceeding, despite the fact that we conducted the docket using our adjudicative procedures, including notice, hearing, and witness testimony under oath and subject to cross examination. *See Appeal of Office of Consumer Advocate*, 134 N.H. at 658-59; *Generic Investigation into IntraLATA Toll Competition Access Rates*, 77 NH PUC at 555. We concluded our discussion in Order 20,068 by ruling that "General rate proceedings … will be treated as legislative or 'nonadjudicative' even though they are conducted procedurally as an 'adversarial' hearing pursuant to our rules." *Generic Investigation into IntraLATA Toll*

Competition Access Rates, 77 NH PUC at 555.

The OCA next argues that this must be an adjudicative proceeding; otherwise, the legislature would have developed a net metering tariff on its own. We agree that the legislature could have developed and still may develop a new net metering tariff, if it so chooses, because the development of such a tariff is essentially legislative in nature. After all, it was the legislature that enacted the first and most recent general net metering tariff. In this docket, we are developing tariffs under a delegation of the legislature's rate-setting authority, bounded by policy considerations already made by the legislature. We fail to see how this delegation transforms an essentially legislative proceeding into an adjudicative one, especially where our legislative function is so well recognized. We disagree with the OCA that the legislature entrusted us with the development of a net metering tariff simply to have it "adjudicated." Instead, we find that the legislature expected us to apply our expertise and every procedural tool at our disposal to sift through stakeholder positions, market data, electric infrastructure engineering and usage data, model tariffs, and the like, to fulfill the legislature's policy guidelines.

B. The OCA Has Not Demonstrated that Designation Would Be Appropriate

Even if RSA 363:32 applied, we would deny the OCA's request to designate staff advocates pursuant to the discretionary standards found in RSA 363:32, II. That statutory provision allows discretionary designation "for good reason" and suggests three factors to consider:

[T]he commission may designate one or more members of its staff as a staff advocate ... at any time for good reason, including that: the proceeding is particularly controversial and significant in consequence; the proceeding is so contentious as to create a reasonable concern about staff's role; or it appears reasonable that such designations may increase the likelihood of a stipulated agreement by the parties. - 12 -

RSA 363:32, II (West Supp. 2016).¹

The OCA relies on all three factors, each of which implicates Staff's ability to perform its role as our neutral advisor. Before we examine the OCA's arguments, we consider our Staff's role in the proceedings before us. To carry out our duties, we are empowered by statute to employ such regular staff, including experts, as we deem necessary. RSA 363:27, I. In this case, Staff "serve as an essential guide to this proceeding, both to the parties and to the Commission, consistent with Commission precedent." EFCA Objection at 5. Staff's expert role takes two forms, often in the same case. On one hand, Staff is "expected to ... develop[] proposals for resolution of issues before the Commission, and to promote those proposals ... where possible." Verizon New Hampshire, 87 NH PUC 11, 19 (2002). On the other hand, Staff is "to advise the Commission fairly and neutrally as to the positions of the parties, the status of the docket, the law applicable to the situation, the policy considerations that should be taken into account, and other aspects of the case." Id. Staff continues to "have this duty of neutral advice even when they hold a particular conflicting view, and even when it is clear the Commission is seriously entertaining a contrary position." Id. To avoid designation in every case in which it takes a position, Staff is "entitled to the presumption that they are 'of conscience and capable of reaching a just and fair result." Id. at 17-18 (2002) (quoting Appeal of Office of Consumer

¹ The Legislature made three changes to RSA 363:32 in 2010 that confirm the legislature's intent to grant the Commission wide discretion in reviewing motions to designate. First, the 2010 amendment reduced from four to one the mandatory grounds on which we might be compelled to designate Staff. *Compare* former RSA 363:32, I(a)(1) through (a)(4) *with* current RSA 363:32, I. Second, the 2010 amendment removed the phrase that required us to examine whether Staff "have committed or are likely to commit to a highly adversarial position in the proceeding." Former RSA 363:32, I(a)(1). Third, the legislature converted the remaining mandatory bases for designation to factors for us to consider when deciding whether there is "good reason" for discretionary designation. *Compare* RSA 363:32, II *with* former RSA 363:32, I(a)(2) through (a)(4).

The clear purpose of the 2010 amendments was to expand our discretion over motions to designate Staff. Under current law we must designate only if Staff "may not be able to fairly and neutrally advise the commission on all positions advanced in the proceeding." Otherwise we may designate Staff "for good reason" while considering the factors in RSA 363:32, II.

Advocate, 134 N.H. 651, 660 (1991)). The presumption of fairness "should not be lightly overcome." *Id.* at 18.

This presumption of fairness is not the same as a presumption that Staff will remain impartial. Although Staff must "observe the same standards of fidelity and diligence that apply to the Commissioners," Staff need not "observe the same duty of impartiality."

Professional staff do not have to be impartial in order to be able to fairly and neutrally advise, and we will not impose such a requirement. Thus, even if there were facts alleged that were sufficient to demonstrate lack of impartiality . . . that alone would not have been sufficient to rebut the presumption that [Staff] is able to fairly and neutrally advise the Commission.

Id. at 19.

We now examine the OCA's support for its assertions that this proceeding is particularly controversial and significant in consequence, and that this proceeding is so contentious as to create a reasonable concern about Staff's role. The OCA appears to proffer the same evidence for both of these factors under RSA 363:32, II. The OCA asserts that "[t]his is a contentious proceeding of high visibility," and that there are many participants involved, including national and regional organizations. OCA Motion at 2. The OCA also asserts that "[t]he eyes of the nation are on this proceeding," citing to a radio program which the OCA did not provide for our review.

We have previously held that the "controversial and significant" nature of the case "must be read in light of Staff's role in providing professional and expert advice to the Commissioners." *Id.* Therefore, merely stating that a case is controversial, significant, or contentious is not enough. The moving parties must show how the nature of the case is likely to impact Staff's ability to provide us with fair and neutral advice, remembering that Staff still enjoys the presumption of fairness. By its own terms the second factor is not simply concerned with whether the proceedings are contested, but whether the case is "'so contested' as to create 'reasonable concern on the part of any party about the Staff's role in commission decision making." *Verizon New Hampshire*, 87 NH PUC at 17. Thus, how "contested the proceedings must be in order to merit designation ... is a function of the impact of such litigiousness on the ability of Staff to assist the Commission fairly in the decision making process." *Id.* The OCA's assertions do not even touch on how the alleged contentiousness and visibility of this docket or the fact that there are many stakeholders with varied interests, might negatively "impact ... Staff's role in providing professional and expert advice." The OCA has not demonstrated any effect on Staff from the alleged controversial and substantial nature of this case.

Instead, the OCA argues that the Staff has taken a highly controversial position in the context of this docket. The OCA points to but one paragraph out of 136 pages of testimony in which Mr. Faryniarz has done the expert service of summarizing and critiquing the numerous stakeholder positions in this docket. *See* Staff Objection at 6 (characterizing Faryniarz testimony). The paragraph relied upon by the OCA consists of a recommendation that the Commission merely *consider* an option without directing the Commission to actually select that option. We find the OCA's demonstration of Staff's partiality and the claimed controversy to be inadequate.

It hardly needs to be said that if Staff or an outside expert takes a position that is different from the OCA's, it does not demonstrate that Staff is not neutral. "The fact that a staff member's ultimate recommendation favors one party or another does not mean that the employee has committed to a particular result and should be designated as a staff advocate." *Public Service Co. of N.H.*, Order No. 25,630 at 8-9. The OCA must establish that the staff members in question have done something beyond simply stating a contrary position. Merely stating that

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Staff's position is "highly controversial" because it is consistent with other parties' positions, and not the OCA's, is insufficient.

The OCA's final argument is that designating staff advocates would "facilitate settlement discussions in which Staff should participate." As with the OCA's other arguments, this one is based on an empty assertion without explanation or proof. The OCA has given us no reason to doubt that current Staff can perform its role of facilitating settlement discussions.

In conclusion, we find no basis to designate staff advocates in this proceeding, regardless of whether RSA 363:32 applies, and we deny the OCA's motion.

Based upon the foregoing, it is hereby

ORDERED, that the OCA's Motion for Designation of Staff Advocates Pursuant to RSA 363:32 is hereby **DENIED**.

By order of the Public Utilities Commission of New Hampshire this twenty-fourth day of January, 2017.

Martin P. Honigberg Chairman

Commissioner

Commissioner

Attested by:

Debra A. Howlar

Executive Director