

New Hampshire Public Utilities Commission

BIENNIAL REPORT

July 1, 2013 – June 30, 2015



Margaret Wood Hassan
Governor

Joseph D. Kenney
Executive Councilor
District 1

Colin Van Ostern
Executive Councilor
District 2

Christopher T. Sununu
Executive Councilor
District 3

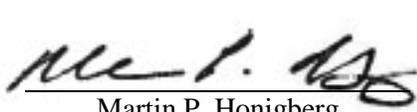
Christopher C. Pappas
Executive Councilor
District 4

David K. Wheeler
Executive Councilor
District 5

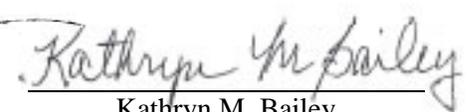


Her Excellency, Governor Margaret Wood Hassan
And The Honorable Executive Council:

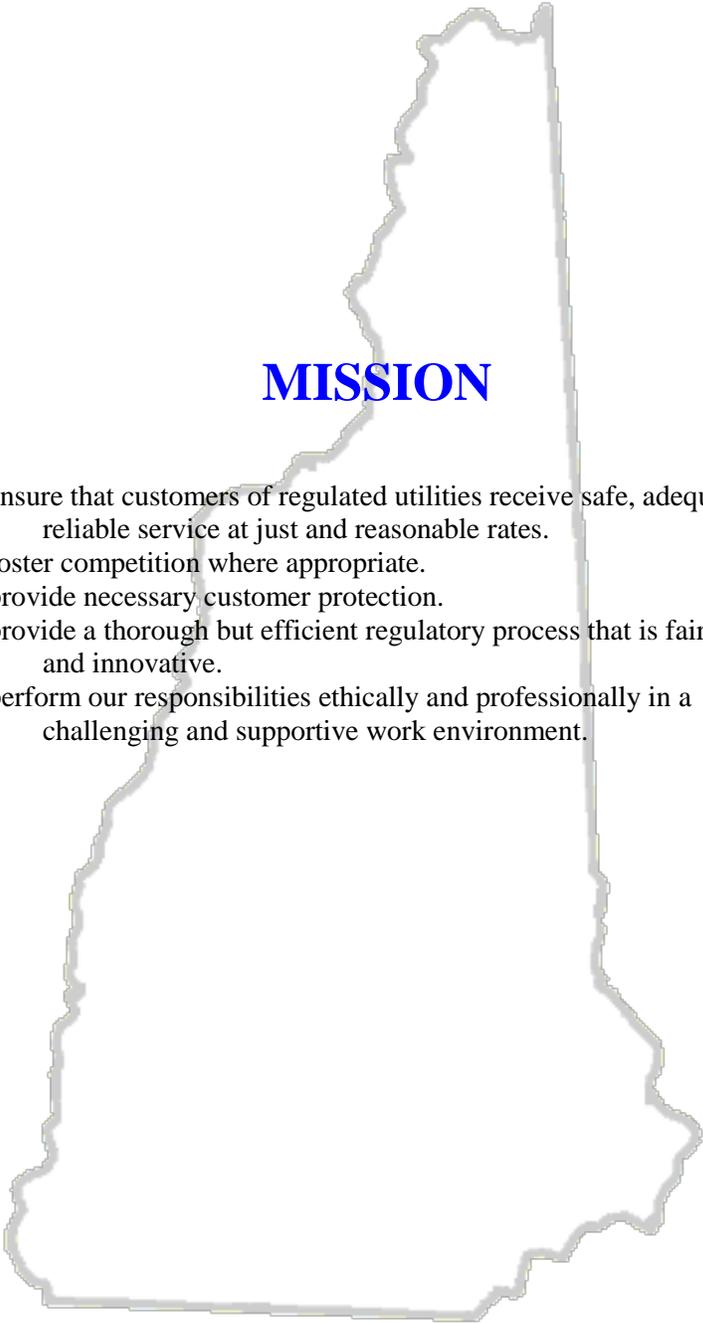
Pursuant to RSA 363:24, we are pleased to submit the biennial report for the New Hampshire Public Utilities Commission for fiscal years 2014 and 2015.


Martin P. Honigberg
Chairman


Robert R. Scott
Commissioner


Kathryn M. Bailey
Commissioner

December 1, 2015



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 administratively attached it to the Commission such that it is independent of the Commission except for shared use of business office and support functions.

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.

In 2014, the legislature modified RSA 162-H to restructure the membership and duties of the Site Evaluation Committee (SEC). Among other things, the legislation made the Chair of the Commission the Chair of the SEC and administratively attached the SEC to the Commission.

The offices of the Commission have been in many locations over the years. In 2004, the Commission moved to office space in the newly-renovated Walker Building on the Governor Hugh J. Gallen State Office Park South campus.

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 affects 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 Chair. One Commissioner must be an attorney and at least one of the remaining Commissioners must have experience in engineering, economics, accounting or finance.

MARTIN P. HONIGBERG

Chair December 2014 to present

Martin P. Honigberg was appointed Commissioner in December 2013 and confirmed as the Chair in December 2014. His term ends June 30, 2019. In addition to his duties as Chair, he serves as Chair of the Site Evaluation Committee and as a member of the Nuclear Decommissioning Finance Committee. Chairman Honigberg also serves as Vice President of the New England Conference of Public Utilities Commissioners.

Chairman Honigberg graduated from Amherst College with a Bachelor of Arts in Economic and holds a Juris Doctor Degree from Vanderbilt University. Chairman Honigberg served as Senior Assistant Attorney General and as Special Counsel to Governor Shaheen. Chairman Honigberg spent more than twenty years practicing law, most recently spending eleven years at Sulloway & Hollis, PLLC in Concord. He has considerable experience in administrative law and litigation.

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 the New Hampshire Manager of the 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 on the Board of Directors of the National Association of Regulatory Utility Commissioners (NARUC) and serves on the Committee on Critical Infrastructure as well as the Committee on Energy Resources and the Environment. He is one of two New Hampshire

representatives to the Regional Greenhouse Gas Initiative (RGGI) and serves on the RGGI, Inc. Board of Directors. Additionally, he serves as co-chair of the Northeast Energy Efficiency Partnerships (NEEP) Evaluation, Measurement and Verification Forum Steering Committee.

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.

KATHRYN M. BAILEY

Commissioner July 2015 to present

Kathryn M. Bailey was appointed Commissioner in July 2015. Her term ends June 30, 2021. Prior to her appointment, Commissioner Bailey served as Director of Regulatory Innovation and Strategy, Director of Telecommunications and Chief Engineer for the Public Utilities Commission between 2000 and 2015. She held other staff positions with the Public Utilities Commission prior to 2000. During her tenure she was appointed to and active on the E911 Commission, the Telecommunications Planning and Advisory Board and the NARUC and NECPUC staff subcommittees on telecommunications. Commissioner Bailey is a member of the National Association of Regulatory Utility Commissioners (NARUC) Committee on Electricity.

Commissioner Bailey graduated from Union College with a Bachelor of Science in Electrical

Engineering. Before joining the Public Utilities Commission staff, Commissioner Bailey served in the United States Air Force as a communications officer (1983-1987). She has been a licensed professional engineer in New Hampshire since 1991.

AMY L. IGNATIUS

Chairman March 2012 to October 2014

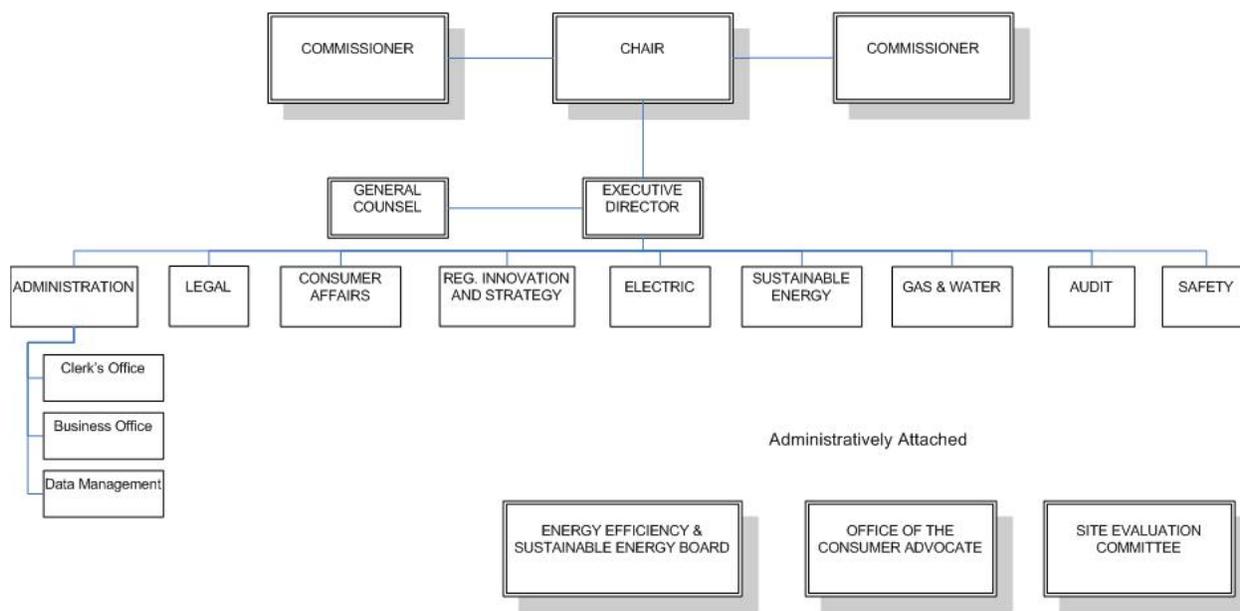
Amy L. Ignatius was appointed Commissioner in July 2009 and confirmed as Chair in March 2012. In addition to her duties as Chair, she served as Vice-Chair of the Site Evaluation Committee and Chair of the Nuclear Decommissioning Finance Committee. She served on the National Association of Regulatory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

MICHAEL D. HARRINGTON

Commissioner March 2012 to December 2013

Michael D. Harrington was appointed Commissioner in March 2012. His term ended July 1, 2013 but he continued to serve on hold-over status at the request of the Governor through December 2013. He 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.

ORGANIZATIONAL CHART



Office of the Commission	Debra A. Howland , <i>Executive Director</i>
General Counsel	F. Anne Ross, Esq. , <i>General Counsel</i>
Administration	Vacant , <i>Director & Assistant Executive Director</i>
Legal Division	David J. Shulock, Esq. , <i>Director</i>
Consumer Affairs	Amanda O. Noonan , <i>Director</i>
Safety Division	Randall S. Knepper, P.E. , <i>Director</i> Robert B. Wyatt , <i>Assistant Director</i>
Regulatory Innovation and Strategy Division	Vacant , <i>Director</i> Michael Ladam , <i>Assistant Director</i>
Electric Division	Thomas C. Frantz , <i>Director</i> Leszek Stachow , <i>Assistant Director</i> George McCluskey , <i>Assistant Director</i>
Sustainable Energy Division	Karen Cramton , <i>Director</i>
Gas & Water Division	Mark A. Naylor , <i>Director</i> Stephen P. Frink , <i>Assistant Director</i>
Audit Division	Karen J. Moran, C.B.A. , <i>Chief Auditor</i>

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 (ESEE) Board established pursuant to RSA 125-O:5-a. The Director of the Commission's Sustainable Energy Division has been so designated. The ESEE Board was created by the legislature to promote and coordinate energy efficiency, demand response, and sustainable energy programs in the state. The ESEE 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. Commissioner Bailey 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. 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 are member of the Site Evaluation Committee (SEC). The SEC evaluates petitions for certification to construct and operate energy facilities.

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 Regulatory Innovation and Strategy 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.

COMMISSION FINANCES

For fiscal year 2014 (July 1, 2013, to June 30, 2014), pursuant to RSA 363-A, the Commission and the Office of the Consumer Advocate were funded primarily by an assessment on the utilities the Commission. The assessment for this fiscal year was calculated by using the gross New Hampshire utility revenue of all utilities and allocating the budget estimate of the Commission to each utility in direct proportion as the revenues relate to the total utility revenues as a whole. On June 16, 2014, the Governor signed into law Senate Bill 324, revising the Commission's assessment statute. The bill went into effect on July 1, 2014. Accordingly, for fiscal year 2015 (July 1, 2014, to June 30, 2015), the assessment calculation included entities that are not utilities but fall within the Commission's registration and enforcement responsibilities. While some entities are assessed based on revenue earned, certain entities are now assessed a set dollar amount ("direct assessments") and others are subject to a specified minimum amount ("minimum assessments").

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 energy service electric ratepayers. The Renewable Energy Fund supports renewable energy initiatives in New Hampshire through competitive grants and rebates.

In FY 2015, the Commission exercised varying degrees of oversight over 300 utility and non-utility providers with gross revenues approximately \$2.7billion. 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

Classification	Class	Expenses [1]	
		FY 2014	FY 2015
Salaries	10	4,244,458	4,400,843
Current Expense	20	65,388	41,855
Rent & Lease – Other	22	10,890	9,936
Maintenance – Other	24	568	1,622
Organizational Dues	26	64,832	50,187
Transfers to OIT	27	434,002	339,927
Transfers to General Services	28	328,688	305,191
Equipment	30	7,098	5,195
Telecommunications	39	47,209	46,082
Indirect Costs	40	50,000	42,782
Audit Fund Set-Aside	41	345.9	702.45
Consultants	46	39,017	15,282
Trans. to Other Agencies	49 [2]	416,207	427,104
Other Personnel Services	50 [3]	1,178	
Westlaw	57	46,511	50,640
Benefits	60	2,049,084	2,085,691
Unemployment	61		
Workers' Compensation	62 [4]	1,063	
Retirees Health Insurance	64	257,586	250,901
Educational Training	66	3,500	3,768
Travel (In State)	70	12,039	6,656
Grants - Non-Federal	73 [5]	22,455,102	16,837,918
Travel (Out of State)	80	58,151	65,443
Total		30,592,917	\$24,987,725

Notes:

- [1] Source of Information - NH First FY 2014 Closing Report dated July 30, 2014, & FY 2015 Closing Report dated July 30, 2015.
It does not include any Special Assessment Expenses.
- [2] The major expenses include funds transferred to the Department of Environmental Services for costs associated with administering the RGGI cap and trade program and funds transferred to support the Attorney General's office.
- [3] This includes the salary expense for a summer intern.
- [4] This expense is due to a work-related injury sustained by an employee.
- [5] This is the amount of grants awarded and rebates paid by the Sustainable Energy Division and the distribution of the RGGI auction proceeds.

COMMISSION PROCEEDINGS

NUMBER OF DOCKETS			NUMBER OF DECISIONS		
	FY 2014	FY 2015		FY 2014	FY 2015
Electric	102	103	Electric	53	104
Natural Gas	45	39	Natural Gas	31	41
Rulemaking	4	3	Rulemaking	2	3
Sewer	3	0	Sewer	3	0
Steam	2	2	Steam	2	2
Telecommunications	31	30	Telecommunications	20	31
Water	19	18	Water	27	18
Sustainable Energy	165	257	Sustainable Energy	144	258
Total	371	452	Total	282	457

NUMBER OF OFFICIAL PROCEEDINGS		
	FY 2014	FY 2015
Pre-Hearing Conferences	20	15
Hearings	57	42
Rulemaking Hearings	2	5
Pub. Statement Hearings	7	3
Commission Meetings	14	9
Total	100	74

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
2014	131	1	1	1	0	0	0
2013	167	11	1	1	0	0	0
2012	134	4	1	1	1	0	0
2011	125	9	1	1	1	0	0
2010	128	3	3	2	0	1	0
Total	685	28	7	6	2	1	0

PERFORMANCE MEASURES

ANNUAL AUDITS		
	FY 2014	FY 2015
Rate Case/Expense Audits	7	1
Step Adjustment Audits	3	3
Major Storm Audits	3	1
Core Energy Efficiency Audits	7	6
Electric Assistance Program Audits	8	8
Cost of Gas/Environmental Cost Audits	9	9
Water-Sewer-Gas Desk Audits	32	25
Pennichuck Eminent Domain Cost Review	1	0
Pennichuck Municipal Acquisition Reg. Asset	1	0
Pennichuck WICA	1	1
Merrimack Station Clean Air Project	1	0
REF	0	1
Staff Report to Legislature PSNH/Northern Pass	0	1
Cast Iron-Bare Steel	0	1
Compliance Audit	0	1
Total	73	58

COMPETITIVE NATURAL GAS SUPPLIER REGISTRATIONS

APPLICATION PROCESSING STATISTICS				
	CY 2013		CY 2014	
# days	Count	%	Count	%
<=30	0	0%	0	0%
<=60	0	0%	0	0%
<=90	1	100%	0	0%
>90	0	0%	1	100%
Total	1	100%	1	100%

COMPETITIVE NATURAL GAS AGGREGATOR REGISTRATIONS

APPLICATION PROCESSING STATISTICS				
	CY 2013		CY 2014	
# days	Count	%	Count	%
<=30	20	77%	21	81%
<=60	4	15%	4	15%
<=90	2	8%	1	4%
>90	0	0%	0	0%
Total	26	100%	26	100%

COMPETITIVE ELECTRIC SUPPLIER REGISTRATIONS

APPLICATION PROCESSING STATISTICS				
	CY 2013		CY 2014	
# days	Count	%	Count	%
<=30	1	11%	2	25%
<=60	1	11%	2	25%
<=90	3	33%	1	13%
>90	4	44%	3	38%
Total	9	100%	8	100%

COMPETITIVE ELECTRIC AGGREGATOR REGISTRATIONS

APPLICATION PROCESSING STATISTICS				
	CY 2013		CY 2014	
# days	Count	%	Count	%
<=30	34	74%	36	90%
<=60	8	17%	3	8%
<=90	3	7%	1	3%
>90	1	2%	0	0%
Total	46	100%	40	100%

**ENERGY CODE APPLICATIONS
FISCAL YEARS 2014 – 2015**

Number of Code Applications Approved		Benchmark	Actual %
FY2014	1251		
	<i>Within 2 Days</i>	80%	96%
	<i>Within 7 Days</i>	90%	100%
	<i>Within 15 Days</i>	100%	100%
FY2015	1261		
	<i>Within 2 Days</i>	80%	92%
	<i>Within 7 Days</i>	90%	100%
	<i>Within 15 Days</i>	100%	100%

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
CY 2009	82	94	36	99.9%
CY 2010	89	91	26	100%
CY 2011	35	30	34	91.17%
CY 2012	94	91	28	99.98%
CY 2013	126	126	26	100%*
CY 2014	193	193	30	100%*

*Excludes applications that were submitted but not complete.

GROUP NET METERING APPLICATIONS

	Applications Received	Applications Approved	Average Number of Days to Complete Review of Completed Applications
CY 2013	0	0	0
<= 10 days			
<= 20 days			
<= 30 days			
> 30 days			
CY 2014	45*	43	7
<= 10 days		34	
<= 20 days		7	
<= 30 days		2	
> 30 days		0	

* Excludes applications that were withdrawn.



AUDIT DIVISION

The Commission's Audit Division consists of a Chief Auditor and four Examiners and functions as advisory support to the Gas, Water, Electric, Consumer Affairs and Sustainable Energy divisions of the Commission. Audits are conducted at regulated utilities as well as state agencies and non-profit organizations to ensure compliance with Commission orders, accounting standards, and regulatory mandates. The Audit Division completed 73 audits during FY 2014 and 58 audits during FY 2015.

As part of a rate case, three separate audits may be conducted: a rate case audit, a rate case expense audit and a step adjustment audit. Rate case audits are conducted by the Audit Division at the request of the Director of Gas, Water, or Electric division of the Commission when a Company files for a change in base rates. Rate case audits involve full financial audits of the Company's test year, a review of activity since the prior rate case, and specific testing to source documents for changes to plant in service, operational expenses, and tax returns among other areas. Full rate case audits may require the resources of the entire Audit Division to complete. During FY 2014, five full rate case audits were conducted. During FY 2015, one full rate case audit was completed.

Rate case expense audits are conducted after conclusion of a Company's rate case and upon receipt of a statement of the costs incurred by the Company to file and participate in the rate case proceeding. A review of rate case expenses consists of determining that the expenses relate to the case for which the Company is seeking recovery, compliance with accounting practices, and compliance with Commission rules. Two rate case expense audits were completed in FY 2014. There were no rate case expense audits completed in FY 2015.

Step adjustments are increases to a utility's revenue that occur after an approved rate increase and which provide an adjustment for known capital expenditures that are not incurred until after the conclusion of a rate case. As part of a step adjustment audit, source documents and compliance with accounting policies as well as compliance with the terms of Commission's order and any Settlement Agreement are reviewed. Three step adjustment audits were completed in FY 2014 and three in FY 2015.

Major storm audits focus on verification of reported storm costs to the Company's financial records and supporting documentation and ensuring compliance with Commission orders. Three storm audits were completed in FY 2014 and one in FY 2015.

Audits of Core energy efficiency programs are conducted annually at the two participating natural gas companies and the four participating electric utilities. Audits focus on compliance with the annual budgets approved by the Commission as well as terms and conditions approved in prior orders, and state regulations. Verification of reported efficiency programs' costs, savings, and participation are made to the financial records of the companies as well as to individual program participant source documents. In FY 2014, seven audits were completed and in FY 2015, six were completed. Audit reports of the Core programs are filed in the related docket.

Annual audits are conducted of the Electric Assistance Program to ensure compliance with Commission orders and state regulations. Because of the cash nature of the program, a review of the process at a variety of agencies is conducted. Overall, the Audit Division reviews eight specific participants each



year: the Commission, the Office of Energy and Planning, the State Treasury, the lead Community Action Agency, and the four participating electric utilities.

Semi-annual cost of gas audits and an annual cost of energy audit involve a review of revenues and costs for Liberty Utilities (ENGI), Liberty Utilities (Keene), Unital and Concord Steam. For the two Liberty companies and Unital, these audits look at the costs incurred by the gas companies during the peak winter season and the off-peak summer season. Tariff compliance, accounting compliance, and reviews of contracts and invoices are part of each audit. Seven cost of gas and cost of energy audits were completed in FY2014 and seven in FY2015

Environmental remediation audits are conducted in conjunction with the two natural gas companies' winter cost of gas filings. Audits consist of reviewing reported expenses and any recoveries as well as verifying all costs and revenues to supporting documentation and appropriate accounting treatment. Two environmental audits were completed in FY 2014 and two in FY 2015.

In FY 2014, the following company specific audits were completed:

- Pennichuck Eminent Domain costs
- Pennichuck Municipal Acquisition Regulatory Asset (MARA)
- Pennichuck Water Infrastructure and Conservation Adjustment Mechanism (WICA)

- Public Service of New Hampshire updated costs relating to the Merrimack Station Wet Limestone-forced Oxidation (LSFO) Flue Gas Desulfurization (FGD) System.

In FY 2015, the following company specific audits were completed:

- Renewal Energy Fund audit of the Commission's Sustainable Energy division
- PSNH/Northern Pass Review of the Commission's Electric division staff report submitted to legislature
- Liberty Utilities d/b/a EnergyNorth Cast Iron/Bare Steel
- Pennichuck Water Infrastructure and Conservation Adjustment Mechanism (WICA)
- Rosebrook Water compliance audit

In addition, the Audit Division also conducts desk audits. Annual reports filed by gas, water, and sewer companies are required by Commission rules. A desk audit consists primarily of comparing the current report of a company to that company's previously filed report, ensuring compliance with applicable accounting standards, ensuring compliance with Commission orders, and verifying that supporting schedules are complete. In FY 2014, thirty-two desk audits were completed. In FY 2015, twenty-five desk audits were completed.



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.

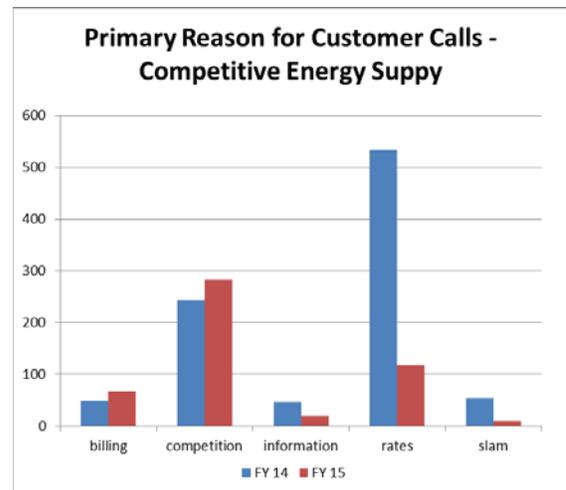
choosing a competitive energy supplier, the Commission introduced a new section on its website in the fall of 2014. The website information explains what retail choice for electric energy supply is and the role the local electric utility continues to play, provides answers to frequently asked questions, and suggests questions to ask when considering whether to choose a competitive energy supplier. The website also provides instructions on how to switch to a competitive energy supplier should a customer decide that is the right choice for them.



Customer calls to the Consumer Affairs Division about competitive energy supply are most frequently related to the prices or rates being charged with general questions about competitive electric energy supply being the second most frequent reasons for calling. Competitive energy suppliers began to actively market to residential customers in the latter half of 2012. The higher call volumes in FY 2014 are a reflection of customer confusion related to competitive energy supply with the overall lower number of calls in FY 2015 showing the effect of education efforts by the Commission and others.

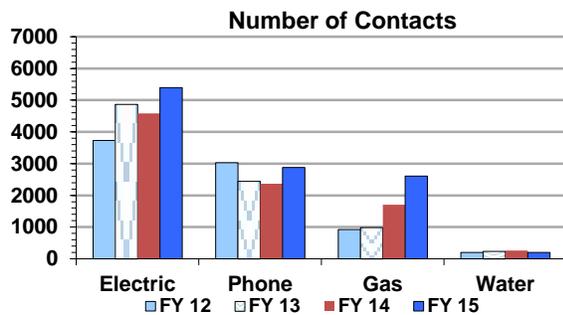
CONSUMER INQUIRIES

During the past biennium, residential choice for electric energy supply has continued to drive calls to the Consumer Affairs Division. As more competitive energy suppliers offer service to residential and small commercial customers, calls and questions about competitive energy supply have increased. To help residential and small commercial customers better understand how the competitive market works and what to ask when considering





As shown below, calls to the Consumer Affairs Division related to electricity and telecommunications decreased slightly during FY 14 but increased in FY 15. Consumer calls about water utility service experienced little change. Gas related calls increased in both fiscal years as compared to the prior biennial period, in large part due to the transition of customer accounts from National Grid to Liberty Utilities beginning in September 2013.



Although telecommunications service has been minimally regulated in New Hampshire since 2012, consumers continue to contact the Consumer Affairs Division for assistance with telecommunications issues. Calls related to telecommunications service increased significantly between October 2014 and February 2015 while FairPoint union workers were on strike. Since that time, telecommunications related calls have returned to more typical levels.

The number of requests for authorization to disconnect service to electric and gas accounts where the customer has been identified as having a medical condition has grown over the past biennium. Economic conditions over the past few years have resulted in an increase in delinquent accounts, particularly those with a medical certification. In FY 14, 20 requests were received; however, in FY 15, 256 requests were received. The Consumer Affairs Division staff has devoted a considerable amount of time reviewing these requests and working with these customers to help them understand, in some cases, the need to take responsibility for their utility service bill and connecting them to the various resources available to assist 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 the sessions during the past biennium.

ELECTRIC ASSISTANCE PROGRAM

The Commission's Consumer Affairs Director oversees the administration of a low income electric 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, Eversource and Unitil Energy Systems support the program through a 1.5 mil, or \$0.0015, per kWh charge on electric bills.

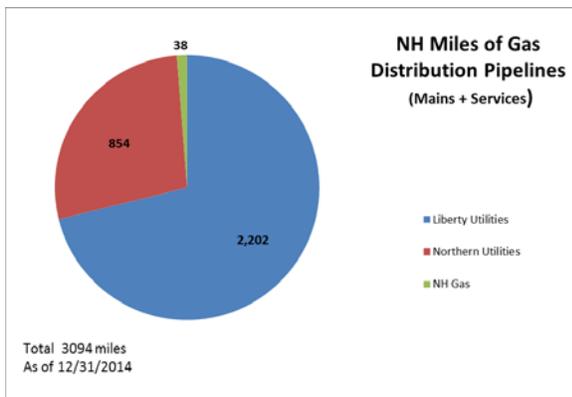
During the past biennium, a total of \$30,451,321 in benefits were received by income eligible households participating in the electric assistance program. A monthly average of 33,730 households were enrolled in the program during that time.



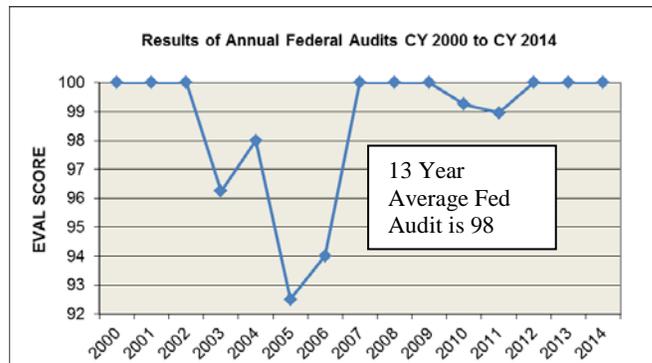
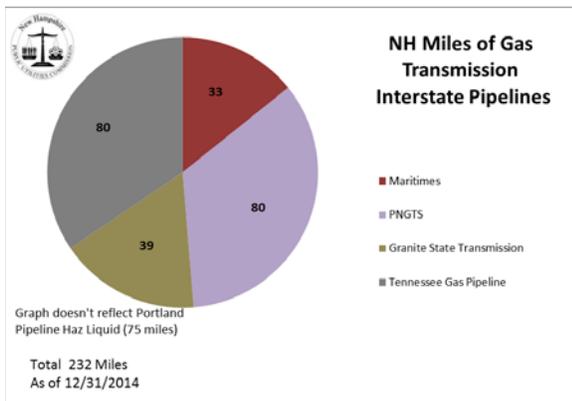
SAFETY & SECURITY

The Safety Division oversees more than 3,000 miles of intrastate pipelines delivering gas to more than 120,000 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.

PHMSA along with Governor Maggie Hassan and pipeline safety representatives from 47 state programs. It was the first time in nearly 25 years that the national meeting was held in New Hampshire and marked the completion of the Safety Division's Director's one year term as chair of the organization. In addition, the second edition of the comprehensive *Compendium of State Pipeline Safety Requirements and Initiatives Providing Increased Public Safety Levels compared to Code of Federal Regulations*, edited and published by the Safety Division staff, was released at the conference. This publication has become a national technical resource and is a compilation of best practices and initiatives implemented by safety agencies across the nation.



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 perfect score for the third year in a row during the latest evaluation for calendar year 2014. Maintaining a highly qualified and knowledgeable inspection staff is a critical element for a high rating.



In September 2013, the Safety Division hosted the annual meeting of the National Association of Pipeline Safety Representatives in New Hampshire. In attendance were representatives from NARUC, NTSB, and

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. 2014 marked the first year New Hampshire has attained reimbursements at the maximum permissible level without requiring suspension funding. Federal projections indicate that New Hampshire will continue to receive federal funds to cover approximately 80% of the program's cost. The Safety Division is allowed reimbursements for all direct expenditures related to pipeline safety as well as certain indirect costs. The Safety Division's grants are based on a federal fee assessed to interstate pipelines that is approved by Federal Energy Regulatory Commission (FERC) in rates and subsequently collected from the local distribution companies as an allowable cost within cost of gas docket.

In June 2014, the NH Legislature passed HB 1224 amending RSA 363:22 and directing the Commission to petition the federal government to seek certification to perform interstate pipeline inspections for the lone hazardous liquid pipeline and the four interstate natural gas transmission pipelines in New Hampshire. In 2014, the Commission submitted a request which was denied by PHMSA. A second request will be made in 2016.

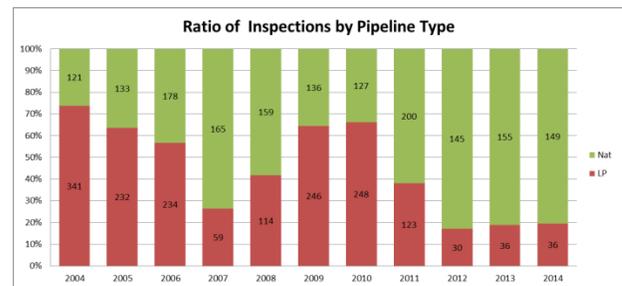
The incident history of gas distribution pipelines reveals infrequent pipeline incidents. Excessive snowfalls in February 2015 resulted in shoveled snow from the roof damaging a meter, and unfortunately, a house in Hampton caught fire as a result. The ensuing house fire resulted in damage in excess of \$150,000. Fortunately, the residents were able to evacuate the premises without serious injury.

NH Incidents 1993-2015			
2015	1	(Meter Damage from Shoveled Roof)	
2008	1	(Snow Plow hit meter)	
2005	1	(Excavation Damage - Trenchless Technology)	
1993	0		
1994	0		
1995	0		
1996	0		
1997	0		
1998	0		
1999	0		
2000	0		
2001	0		
2002	0		
2003	0		
2004	0		
2006	0		
2007	0		
2009	0		
2010	0		
2011	0		
2012	0		
2013	0		
2014	0		

PIPELINE 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 68 inspections of liquid propane facilities and 300 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 12 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 completed safety training related to transmission and distribution pipelines including: Liquefied Petroleum Gas, Corrosion Control, Welding and Welding Inspection, Failure Investigations, Distribution Integrity Management, Control Room Management, SCADA Inspections, Inline Inspection Techniques, 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 upon request.



ACCELERATED PIPELINE REPLACEMENT

Both Liberty Utilities and Northern Utilities distribution systems contain segments of pipelines that are considered aged and leak prone. Northern has implemented the third and



final phase of an 8 year program that is scheduled to replace all bare steel mains remaining within its distribution system by 2017 while also simultaneously reducing cast iron mains during this same period. As of December 2014, Northern Utilities had replaced

approximately 87% of its 1994 inventory levels of leak prone pipe leaving approximately 15 miles remaining within its system. The initial phase of bare steel replacement dates back to 1990 for Northern Utilities when the Safety Division initiated a formal docket.

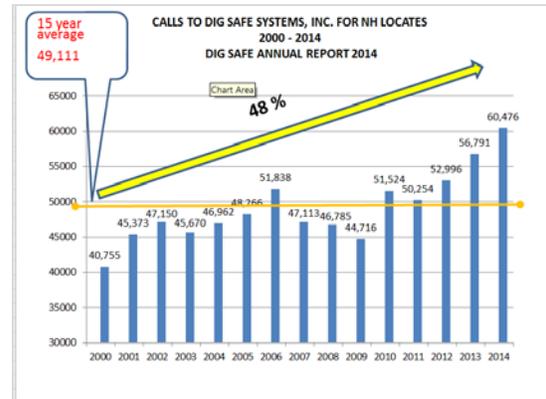
Liberty Utilities has had a formal Cast Iron and Bare Steel Replacement Program since 2009 and has replaced approximately 46% of its 1994 inventory levels of the targeted, leak prone pipe and has approximately 115 miles remaining within its system¹. In 2015, Liberty Utilities committed to replacing the remaining 115 miles within a ten year period. The Safety Division tracks leaks associated with the leak prone piping, replacement amounts, dollar expenditures and replacement rates while participating in dockets annually regarding this important program.

UNDERGROUND DAMAGE PREVENTION

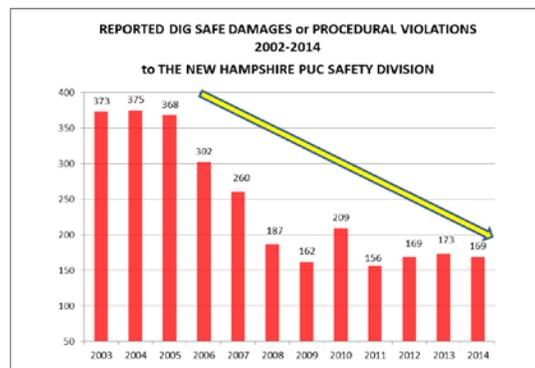
The Safety Division administers the Underground Utility Damage Prevention Program to ensure public safety and minimize damage to underground facilities. Third party excavation continues to be the number one cause of damages to underground facilities in New Hampshire and nationally. New Hampshire generated a historic record of nearly 60,500 calls into the Dig Safe center in 2014, a 23% increase over a 15 year average, attributable in large part to an increased number of economic stimulus projects in New Hampshire, increased public

¹ Does not include totals of the former NH Gas which has approximately 11 miles of cast iron remaining and has replaced 54% of its 1994 inventory levels.

awareness of the 811 notification system, and continued advertising and promotion by all utilities and stakeholders.



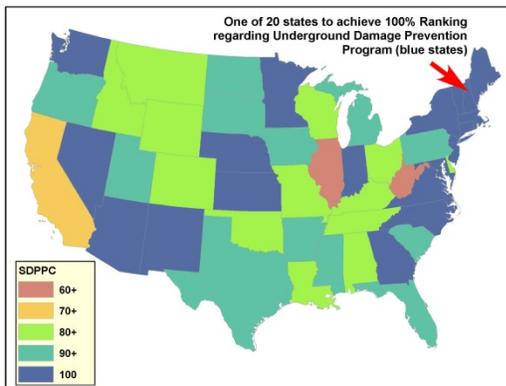
The Safety Division inspects construction sites for damage prevention compliance, investigates reported damage, and issues citations when violations are identified. In the previous biennium, the Division processed 325 reports of damage to underground facilities. During the recent biennium, reported incidents increased by 5%. In processing these reports, 47 conferences involving contractor and utility disputes were conducted, a 38% decrease in number of informal conferences conducted over the previous biennium. The remaining reports of damage to underground facilities were resolved without need of conferences.



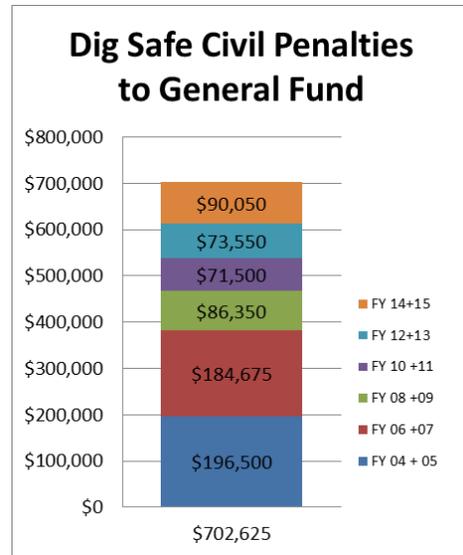
The Safety Division sponsored a number of Dig Safe damage prevention seminars and education opportunities throughout the state during the biennium. Three types of training are provided:

- 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 2014 assessment as one of twenty 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 \$90,000 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 \$54,000. Since 2004, over \$700,000 has been collected in civil penalties.



ENGINEERING AND SAFETY REVIEWS

The Safety Division reviewed 24 petitions from utilities to install facility crossings over public waters and State-owned land during the biennium. The reviews were conducted by the Safety Division staff rather than by Commission-contracted consultants, reducing costs for the petitioners as well as ratepayers. The Division’s reviews identified potential negative impacts upon the public and 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.

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. As such, the Safety Division regularly participates in

annual drills and attends monthly coordination meetings for Emergency Response with other state agencies.

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 among and vulnerabilities in seventeen identified sectors.

In 2012, the Commission assigned the monitoring of utility cyber security efforts to the Safety Division. In 2013, the Safety Division participated in dockets that require gas, electric and regulated telecom companies to file physical security and cybersecurity plans. Also in 2013, New Hampshire hosted the six New England states in an initial meeting to begin the process of identifying cyber security practices of utilities. In 2014, the Commission shared 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 2015, preliminary reviews of filed written plans began. 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.

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.

STORM RESPONSE

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

On Thanksgiving of 2014, New Hampshire experienced its 4th worst historical storm with widespread electrical outages. Outages ranged from 6% of customer base to 42% 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 this single event.

In response to Governor Hassan's directives, the Safety Division conducted an after action review of the November 2014 Thanksgiving Snow Storm and produced a report with 37 findings and 24 recommended corrective actions.

ELECTRICAL SAFETY ISSUES

The Safety Division undertook an investigation into the April 19, 2014 death of a Keene State College employee who was electrocuted while investigating a report of a low hanging electrical wire. The wire, owned by Public Service Company of New Hampshire, now doing business as Eversource Energy, had detached from the cross-arm of a pole and sagged close to the ground. At the end of the biennium, the investigation was still underway.

The Safety Division issued its investigation report in September 2015, and a Commission order in this matter was issued in October 2015.



TELECOMMUNICATIONS INDUSTRY

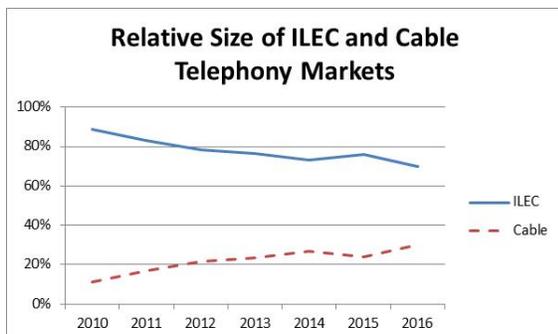
INTRODUCTION

New Hampshire relies upon competition in the telecommunications industry to promote reliable service and low prices for consumers. Rates for retail telephone service are not regulated, with a single exception discussed below. Retail service quality, for example the number of days a customer waits for a telephone service order to be completed, is not regulated by the Commission.

This reliance on competition makes it especially important to ensure that current competitors can participate in, and new competitors can enter, the telephony market in New Hampshire. State law also requires the Commission to promote conservation of telephone numbers, keeping New Hampshire a single-area-code state for as long as practicable. The Commission has established rules and registration processes that balance these goals.

TRENDS IN THE LANDLINE TELEPHONY MARKET

The chart below is based on telephone service revenue data that each company files with the Commission. The chart illustrates the relative market sizes for the phone companies that were already operating in 1996 (the Incumbent Local Exchange Carriers, or ILECs) and the cable operators now offering telephone service.



The ILECs have been gradually losing landline customers to cable, falling from 89% of the combined market to 70%, while the cable operators have grown their share from 11% to 30%. Nonetheless, ILEC telephone revenues today are still more than double cable telephone revenues.

CATEGORIES OF TELEPHONE PROVIDER

New Hampshire reduced regulation of the landline telephone industry in 2012 and 2013 based on the evolution of the market. The Commission has similarly changed its classification system for landline telephone providers. Previously we grouped such companies into four categories based partly on historical monopoly status and partly on the services each offered (e.g., long distance versus local service, or whether a provider maintains public telephones). That approach has become less useful for two reasons: many companies offer services spanning several categories, and the role of historical status is gradually diminishing in both federal and state law. We now use the single category of Telephone Utility for the companies we regulate.

Many companies were previously registered and authorized to provide telephone service in New Hampshire based on service offerings that no longer fall under Commission jurisdiction. These include companies that deliver end-user telephone service through Voice over Internet Protocol (VoIP) technology, including cable television companies, and companies that offer data service but not voice service. When other companies were issued new "telephone utility" certificates, these companies were told that they were no longer regulated and could not be registered as utilities.



This lack of state registration creates a potential challenge for some companies, including cable operators. Federal law guarantees rights for pole attachment and interconnection to "telecommunications providers," and those companies had previously cited their state registrations as "competitive local exchange providers" to show that they qualified for those rights. The Commission has created a new process to address this challenge. A company can voluntarily seek and obtain registration as a "registered telecommunications carrier" and thereby obtain state recognition of its status. This process also allows such companies to obtain blocks of telephone numbers following the same process, including Commission review of requests, used by telephone utilities.

State law allows an ILEC to classify itself as an "Excepted Local Exchange Carrier" (ELEC) subject to lighter state regulation. As of June 2015, all eleven ILECs in New Hampshire have become ELECs. Since they have certain remaining obligations beyond those of their competitors, we sometimes use the term "ILECs operating as ELECs" to distinguish their situation. These companies have a continuing obligation to offer no-frills local "dial-tone" service at rates that can increase by no more than 10% each year through 2020. Their retail services are otherwise unregulated; these companies can change rates and terms of service without notifying the Commission.

OTHER RECENT CHANGES TO STATE LAW

Telecommunications providers, whether or not they are telephone utilities, must obtain Commission approval before placing a cable or fiber across or under public waters or lands (other than roadways) in the state. In 2013, state law was revised to provide a faster review process under RSA 371:17-a for new telecommunications crossings, and to provide a two-year window under RSA 371:17-b in which telecommunications providers could obtain licenses for old crossings. Twelve companies made 371:17-b filings for old crossings within that window.

ACCESS RATES

A telephone call typically traverses network facilities owned by several different telephone companies, and these companies charge each other for each minute the call uses. The Federal Communications Commission (FCC) has been concerned for many years that some companies are charging unreasonably high "access rates." In 2011 the FCC issued an order requiring that companies reduce these rates over several years. Each year the cap on these access rates is reduced, although the cap for a particular company depends on its regulatory and rate history. The FCC reviews and enforces these caps for interstate calls, and requires states to review and enforce the mandated caps for intrastate calls. In 2015, the Commission reviewed 32 such tariffs, and in many cases required revisions before allowing them to take effect.

RBOC OBLIGATIONS

Federal law and rules establish a hierarchy of legal obligations for telephone providers. The broadest obligations are placed on those companies that originally enjoyed a legal monopoly as part of the Bell System: the Regional Bell Operating Companies (RBOCs) and their successors. These laws and rules place FairPoint Communications, a successor to Bell subsidiary New England Telephone, in a unique regulatory position in New Hampshire. FairPoint must share its central office facilities in most of its locations, and must offer wholesale services to its competitors at the same or better performance levels than it provides to its own retail customers.

This obligation is enforced partly through negotiated penalties that apply whenever FairPoint's performance falls below certain metrics. In April 2015, FairPoint and its competitors reached agreement on a major revision and simplification of the process for measuring and assessing these penalties. The final settlement includes an agreement that FairPoint pay into the state's Telecommunications Planning and Development

Fund an equivalent amount when penalties to competitors are otherwise waived.

FEDERAL DEVELOPMENTS: USF, INTERNET SERVICE CLASSIFICATION, AND VOIP NUMBERING

The FCC has taken several actions in recent months that will affect the telecommunications services available in New Hampshire and, to some extent, the state's role in overseeing or promoting those services.

The federal Universal Service Fund (USF) is financed by fees on telephone bills and ensures that telephone voice service is available in remote areas that otherwise would be too unprofitable to serve. The FCC has recently decided to make this same USF funding available for delivering broadband services to areas that otherwise would not receive them. This funding will enable ILECs, and potentially other providers, to expand broadband to unserved areas of the state. The Commission plays a role here in certifying companies as eligible for such funding.

The FCC also ruled recently that Internet service is classified as a "telecommunications service" rather than as an "information service." Although this will have a substantial impact on federal telecommunications regulation and is likely to be appealed in court, it is unlikely to have a significant direct effect on New Hampshire regulation or market behavior. New Hampshire law separately classifies industry sectors such as cable Internet providers as non-utilities for state purposes.

As a single area code state, New Hampshire has a particular interest in making sure telephone numbers in the 603 area code are reasonably conserved, for example by ensuring that these numbers are not used to provide services in other states. Companies that provide telephone service using VoIP, but rely on the customer's independently purchased Internet connection rather than their own cable or fiber line, are sometimes called "over-the-top VoIP providers." This market sector presents unusual challenges in monitoring and influencing number usage. Since over-the-top providers use the customer's separately-obtained Internet connection to connect to the telephone network, rather than a landline owned or leased by the provider, they do not fit most current regulatory models.

In recent years such providers have obtained blocks of telephone numbers from intermediaries acting as wholesale numbering providers. Since the wholesale numbering provider may not know where its customer ultimately deploys a block of telephone numbers, and the over-the-top provider does not share information with the regulators reviewing numbering allocations, it has been harder for over-the-top providers to get numbers, and harder for states to determine whether they are using numbers efficiently.

In June 2015, the FCC issued an order allowing over-the-top providers to obtain blocks of telephone numbers directly, through the same process used by traditional telephone providers. This appears to provide New Hampshire with a greater opportunity to review allocations of number blocks and ensure that they are used efficiently for New Hampshire customers.



ELECTRIC INDUSTRY

The Commission regulates four electric utilities: Public Service Company of New Hampshire d/b/a Eversource Energy (PSNH or Eversource²), which has approximately 504,000 customers, Unitil Energy Systems (UES), which has approximately 77,000 customers, Granite State Electric Company d/b/a Liberty Utilities (Liberty), which serves approximately 39,000 customers, and New Hampshire Electric

Cooperative (NHEC), which serves approximately 80,000 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 and the map indicates where each company operates in the State.

Chart 1

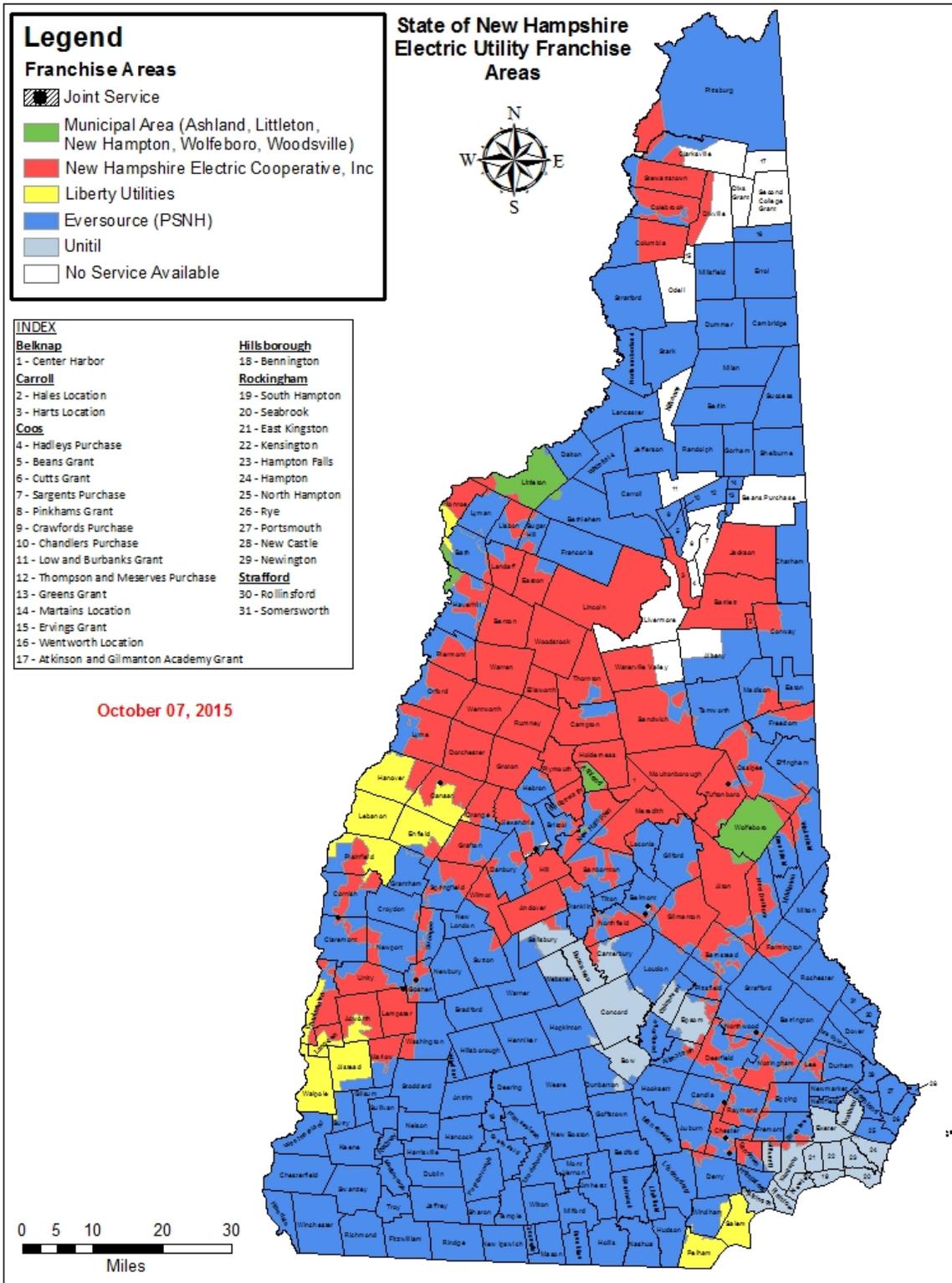
**Total Operating Revenues, Megawatt-hours to Retail Customers
and Total Customers in New Hampshire
by Franchise Distribution Area – 2014**

	MWH Sold	Operating Revenues	Avg. # of customers	Peak Load (MW)	Date	Hour
Eversource-PSNH	7,886,054	\$ 982,938,979	504,041	1611	7/2/2014	2:00 PM
UES	1,204,303	150,966,502	77,438	275	7/2/2014	2:00 PM
Liberty-GSEC	910,825	113,626,252	39,209	193	7/23/2014	4:00 PM
NHEC*	769,708	135,486,499	79,852	177	12/2014	
NH Total	10,770,890	\$ 1,383,018,232	700,540			

Sources: 2014 FERC Form 1 Annual Reports, 12/31/2014 NHPUC Form F-1

* 2014 Annual Report, NHEC

² Public Service Company of New Hampshire began operating under the trade name, Eversource Energy, in February 2015.



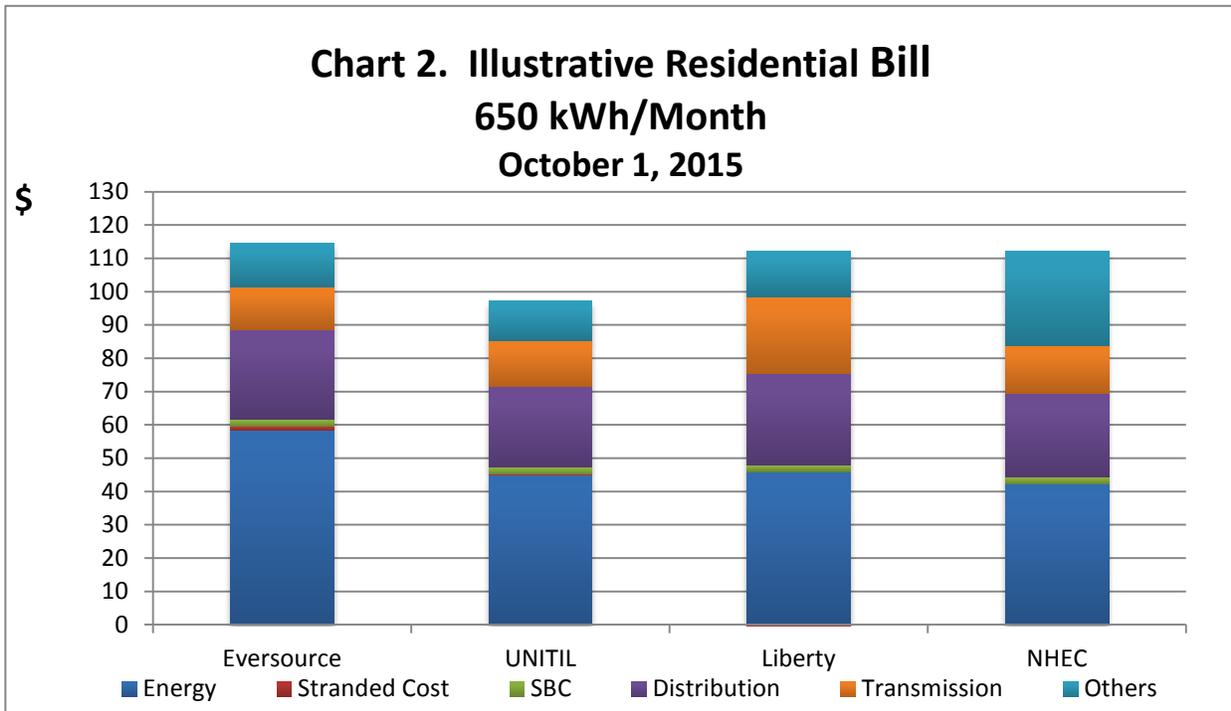
STATUS OF ELECTRIC INDUSTRY AND COMPETITION

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 2³.

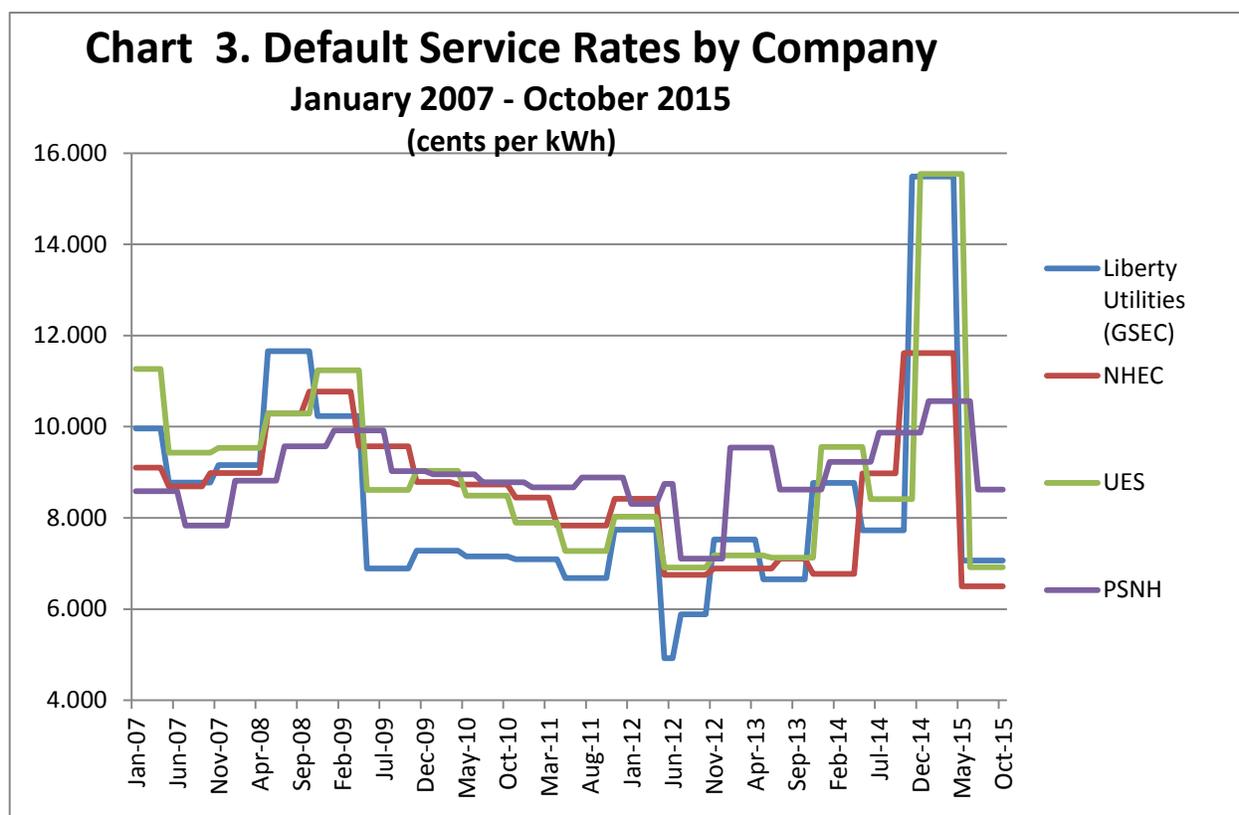
The energy market has changed dramatically in recent years due to new inexpensive natural gas supplies resulting from the hydro-fracturing, or “fracking,” of shale gas to bring more natural gas to the surface. The

abundant supply of “fracked” gas used in electric generation has brought down the wholesale price of electricity nationally as well as in New England though constraints on the pipeline, especially during the winter period, have led to winter price spikes and increased volatility. This creates opportunities for entities to compete with the default energy service prices offered by the electric distribution utilities. Numerous companies are now registered as competitive power suppliers and electricity aggregators. Though it varies by company, a significant number of residential customers now get their power from a competitive supplier and most of the commercial and industrial classes receive their energy service from competitive suppliers.

Those default service rates that CEPS compete against are shown in Chart 3 for each of the New Hampshire electric distribution utilities since January 2007.



³ The “others” category depicted in Chart 2 is comprised of customer charges and applicable taxes.



KEY ELECTRIC PROCEEDINGS

INVESTIGATION INTO PSNH'S DEFAULT SERVICE RATES, GENERATION OWNERSHIP AND DETERMINATION REGARDING GENERATION ASSETS

Given the increased customer migration in PSNH's (now Eversource) 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 default energy service provided by PSNH as well as how PSNH proposed 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 explored 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). 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. La Capra Associates was hired to conduct the valuation study and ESS Group was hired to do an environmental assessment of the assets and the potential risks they faced on a going forward basis. The Staff Report and the accompanying La Capra/ESS reports were filed April 1, 2014. The La Capra valuation study indicated that the market value of the PSNH generating assets, based on a discounted cash flow basis, was \$225 million and that the net value of the two PPAs was a negative \$120 million.

On August 1, 2014, Governor Hassan signed into law HB 1602, "an act relative to the divestiture of PSNH assets and relative to the siting of wind turbines." The new law amended RSA 369-B:3-a to require the Commission to "commence and expedite a proceeding to determine whether all or some of PSNH's generation assets should be divested." Under the new law, the Commission "may order PSNH to divest all or some of its generation assets if the commission finds that it is in the economic interest of retail customers of PSNH to do so, and provides for the cost recovery of such divestiture". The Commission opened docket DE 14-238 to determine whether the PSNH assets should be divested. In late 2014, PSNH filed a Motion to Stay the proceeding as well as to stay DE 11-250, the "Scrubber" proceeding, (described in next section) to allow "collaborative and legislative efforts to progress" that would resolve the numerous issues before the Commission in those two proceedings. The Commission approved the Motions to Stay and, throughout the 2014-2015 Legislative period, negotiations took place between PSNH and numerous parties and key legislators. A comprehensive settlement agreement entitled the Restructuring and Rate Stabilization Agreement was filed with the Commission in June 2015. It was supported by Public Service Company of New Hampshire d/b/a Eversource Energy, the Office of Consumer Advocate, the Governor's Office of Energy and Planning, Senators Bradley and Feltes, the City of Berlin, Designated Advocacy

Staff of the Commission, the International Brotherhood of Electric Workers Local 1837 and a number of independent power suppliers and environmental groups.

Hearings on the merits are expected in early 2016.

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 prudence 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.

After numerous procedural delays, the Commission conducted hearings on the merits over a seven day period in in October and November 2014. As explained above, the proceeding was stayed in late December 2014 before the Commission issued a decision in the proceeding.

The temporary rate remains in effect at the end of the bienium.

CORE ENERGY EFFICIENCY PROGRAMS AND EERS

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 \$257 million has been spent on energy efficiency measures, with expected energy savings of over 12 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. The main funding for the Core Energy Efficiency programs comes from the 0.18 cents per kWh portion of the SBC with additional funding from the ISO-NE Forward Capacity Market (FCM) and the Regional Greenhouse Gas initiative (RGGI). For 2015, the combined SBC funds, FCM funds, and RGGI funds produced a total budget of \$28 million for the Core programs.

In 2013, SBC and FCM funds were augmented by additional monies due to the passage of House Bill 1490 (Chapter 281 of the Laws of 2012), which became law on June 23, 2012. This bill amended the RGGI provisions of RSA Chapter 125-O to require that one dollar of each RGGI allowance sold, net of administrative costs, be turned over to the electric utilities for Core programs and the remaining proceeds be refunded to ratepayers. Effective January 1, 2014, Senate Bill 123 required the utilities to allocate up to \$2,000,000 per year of the RGGI funding for the Core Energy Efficiency programs for use by municipal and local governments for energy efficiency and that at least 15 percent of RGGI funding for the Core Energy Efficiency programs be used for the income-eligible Home Energy Assistance (HEA) program.

In 2014, the enactment of Senate Bill 268 required that any RGGI funds remaining after allocation to the municipal program and the income-eligible program be allocated to all-

fuels, comprehensive energy efficiency programs administered by qualified parties, which may include electric distribution companies, to be selected through a competitive bid process.

The Commission approved the Core Energy Efficiency two-year budget and programs in December 2014 and is currently evaluating the mid-course adjustments to the Core programs.

In February 2015, the Commission received a report from the Commission Staff entitled “Energy Efficiency Resource Standard: A Straw Proposal for New Hampshire.” Based on the Staff Report, the Commission opened IR 15-072 to investigate and receive comment on Staff’s Report and the recommendations contained in the Report regarding implementation of an Energy Efficiency Resource Standard (EERS) for New Hampshire. IR 15-072 is proceeding in a multi-phase manner that includes: short-term and long-term implementation issues; whether an EERS would reduce market barriers to investments in energy efficiency; whether it would provide incentives for appropriated demand-side management while not reducing cost-effective energy efficiency; whether the SBC and RGGI funds could be used to support programs within the context of an EERS; whether an EERS would be consistent with the Commission’s authority concerning just and reasonable rates and whether an EERS is consistent with the Commission’s authority to oversee the utilities’ integrated resource plans and to consider energy efficiency as a first resource option for energy supply.

Comments were initially received from intervenors in April 2015. Testimony is expected to be filed in December 2015 with hearings mid-year 2016.

REGIONAL AND WHOLESALE ELECTRICITY MARKET ISSUES

WHOLESALE ELECTRICITY MARKETS ACTIVITY

Over the past several winters, the New England power sector has experienced shortages of natural gas supplies to fuel electric generation that have resulted in power system reliability concerns on the coldest days and high and volatile wholesale electricity prices. These high and volatile electricity prices caused winter wholesale power costs to increase by \$1.9 billion and \$4.9 billion in 2012/13 and 2013/14 respectively compared to the same period for 2011/12, a warmer than normal winter. In a November 20, 2014, Order⁴ issued by the Federal Energy Regulatory Commission (FERC), the FERC observed that concerns about fuel assurance – a term describing a broad set of issues related to “generator access to sufficient fuel supplies and the firmness of generator fuel arrangements” – had been raised in recent technical conferences.

As a result of those concerns, the FERC initiated a review of how each ISO and RTO is addressing fuel assurance, and directed each ISO and RTO to file a status report. The Commission, as part of its responsibilities to monitor the operations of New England’s wholesale power markets, filed comments⁵ with the FERC on what it considered the shortfalls of the ISO-NE Status Report, and suggested a way forward to foster FERC’s twin goals of system reliability and just and reasonable wholesale rates. The Commission’s comments focused on ISO-NE’s failure to include in its Status Report a plan to tackle the very high prices and extreme price volatility that have plagued ISO-NE’s energy markets in recent winters, which ISO-NE

acknowledged were the result of pipeline constraints driven by insufficient investment in gas infrastructure to supply the increased demand for gas for electricity generation. Absent such a plan, the Commission believed that the New England economy would be placed at a profound competitive disadvantage compared to its North American neighbors.

To address this concern, the Commission advocated a FERC-directed effort at wholesale market reform that would address the root cause of the investment shortfall – a lack of incentives in the competitive wholesale electric markets for generators to support long-term firm infrastructure development. Specifically, the Commission recommended that the FERC direct ISO-NE to develop, with stakeholder input, proposals for new market-based reforms designed to drive firmer, economic gas supply outcomes. Those proposals would be filed with the FERC by ISO-NE, and selected for implementation by FERC order. As of the date of this Biennial Report, the FERC has not issued an order in response to the ISO and RTO status reports and related stakeholder comments.

On a related issue, the Commission on April 17, 2015, announced the opening of a non-adjudicative investigation, to be conducted by its Staff, into potential approaches involving electric distribution companies (EDCs) in New Hampshire and other New England states to mitigate the high and volatile winter electricity prices. The investigation, designated as Docket IR 15-124, also addresses a legal question posed by the Commission; namely, whether New Hampshire EDCs, under existing New Hampshire law, have the authority to enter into contractual arrangements with sponsors of regional projects to acquire pipeline and/or liquefied natural gas (LNG) related products and services to benefit customers and, if so, whether the associated costs could be recovered from EDC customers through Commission-approved rates.

Staff’s report is due to be filed with the Commission September 15, 2015 followed by stakeholder comments on the report October 15, 2015. There is no timeline for the Commission to respond to these filings.

⁴ *Order on Technical Conferences*, 149 FERC 61,145 (2014) (“November 20 Order”)

⁵ Comments of the New Hampshire Public Utilities Commission on Fuel Assurance in Dockets AD13-7-000 and AD14-8-000, March 20, 2015.

TRANSMISSION INVESTMENT

The Federal Energy Regulatory Commission (FERC) approves the transmission rates for the eleven companies in New England that own and operate transmission assets. FERC sets those rates using a formula approach that incorporates either actual historic costs or projected costs and a true-up mechanism. Eversource Energy, through its retail electric distribution subsidiaries, including PSNH, is the largest transmission owner in New England, followed by National Grid USA through its subsidiary, New England Power.

Investment in transmission has increased steadily since 2002. From 2002 through June 2015, ISO-NE states that 634 transmission projects were placed in service at a

total investment cost of \$7.2 billion. ISO-NE estimates that over the next ten years another 210 projects are planned at a projected cost of \$4.8 billion. The cost of reliability projects are shared across the region. The costs are allocated among the six New England states based on their respective electricity usage at peak times.

One of the principal transmission projects undertaken in the past two years is the New England East-West Solution (NEEWS), which includes a number of smaller projects that together are intended to increase reliability issues in New England, especially for east-west power flows. The projected cost of NEEWS is \$1.62 billion.



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 (REF), administers the Renewable Portfolio Standard (RPS) law, and reviews applications for statewide energy code compliance for residential and commercial buildings.

RENEWABLE PORTFOLIO STANDARD ACT

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). Those requirements increase incrementally over time and are applied to four separate types, or classes, of renewable resources. The four classes of renewable resources are:

- **Class I** sources include generation facilities that began operation after January 1, 2006 and produce electricity from: wind energy; geothermal energy; hydrogen derived from biomass fuel or methane gas; ocean thermal, wave, current, or tidal energy; methane gas; or biomass. **Class I Thermal** is subcategory for useful thermal energy, pursuant RSA 362-F:3.
- **Class II** sources include generation facilities that produce electricity from solar technologies and began operation after January 1, 2006.
- **Class III** sources include generation facilities that began operation on or before

January 1, 2006, and produce electricity from eligible biomass technologies having a gross nameplate capacity of 25 megawatts or less, or methane gas facilities.

- **Class IV** sources include hydroelectric generation facilities that began operation on or before January 1, 2006, and meet specified requirements.

For 2015, the total RPS obligation is 8.3 percent of total generation supplied to customers. The RPS requirement increases incrementally to 24.8 % for 2025.

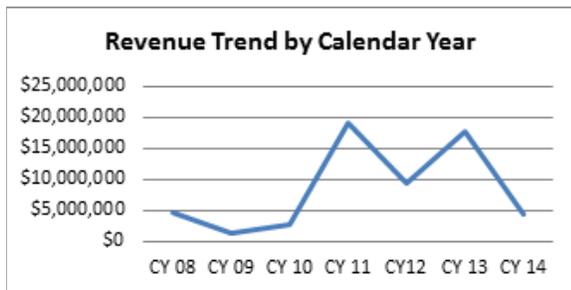
If electricity providers are not able to meet the RPS requirements by purchasing or acquiring RECs at a reasonable price, they must make alternative compliance payments (ACPs) to the State. Electricity suppliers are required to file an annual compliance report for the prior calendar year by July 1st, and make any required ACP payments at that time. Those payments are deposited into the Renewable Energy Fund, described below, pursuant to RSA 362-F:10.

The Commission is responsible for reviewing applications from renewable generators seeking certification as an eligible facility to produce and sell RECs in New Hampshire. Since 2007, the Commission has received 876 such applications, of which 817 have received certification. In 2013, 126 renewable energy source eligibility applications were received and approved. That number increased to 193 applications in 2014; a 51% increase.



RENEWABLE ENERGY FUND

The Renewable Energy Fund (REF) 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. The REF is expected to fluctuate over time. The graph below shows the historical fluctuations.



Calendar year 2014 saw a significant reduction in ACPs due in part to a combination of the

availability of Class I RECs, market and policy factors.

In June of 2012 in HB2, the General Court elected to transfer \$16.1 million from the REF to the General Fund, and another \$1.28 million to Tri County Community Action. Per SB191, in 2014, \$200,000 was utilized for the 10-Year State Energy Strategy. In 2014 and 2015, \$500,000 was allocated to the Site Evaluation Committee.

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. During the biennium, 1,639 rebate program applications were received, and 1,161 rebates were paid. A description of the rebate programs can be found in Table 1. Table 2 summarizes applications received, rebates paid and rebate dollars awarded by program during the bienium.

TABLE 1 – SUMMARY OF RENEWABLE ENERGY REBATE PROGRAMS

REF Rebate Program	Eligible Technologies and Capacity Limits	Incentive Levels (Rebate)	Authority, Date of Inception
Residential Electrical Renewable Energy (PV and Wind)	Solar electric (PV) and wind turbines systems up to and including 10 kilowatts (kW) DC in capacity	\$0.75 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 Solar Water Heating	Solar water heating systems with annual production capacity of 5.5 MMBtus 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	High efficiency, bulk-fed wood pellet central furnaces/boilers	30% of the system cost and installation, or \$6,000, whichever is less	RSA 362-F:10, VIII April 2010

TABLE 2 – SUMMARY OF FY 2014 AND FY 2015 REF REBATE PROGRAM RESULTS

REF Programs	Number of Applications Received	Number of Rebates Awarded	Rebate Funds Dispersed	Average Rebate Award
Residential Electrical Renewable Energy (PV and Wind)	1,147	836	\$2,957,661	\$3,538
Residential Solar Water Heating	71	101	\$154,700	\$1,532
Residential Wood Pellet Furnace/Boiler	116	112	\$633,122	\$5,653
C & I Solar Technologies	247	89	\$1,364,853	\$15,335
C & I Wood Pellet Furnace/Boiler	58	23	\$471,136	\$20,484
Totals	1,639	1,161	\$5,581,472	

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 for the past

six years. The RFP issued in calendar year 2013 resulted in ten grants being awarded and approved by Governor and Executive Council in FY14. The RFP issued in calendar year 2014 resulted in five grants awarded in FY15, and one grant contract under development for presentation to Governor and Executive Council in FY16.

Below is a summary table of the grants awarded in fiscal years 2014 and 2015.

Fiscal Year	Grantee	Grant Amount	Project Description	Total Project Cost
14	Fall Mountain Regional School District	\$100,000	Installation of two wood pellet boilers	\$492,000
14	Fiske Hydro, Inc.	\$225,000	Refurbish hydroelectric dam in Hinsdale and increase generating capacity	\$362,000
14	Historic Harrisville, Inc.	\$150,000	Installation of three wood pellet boilers and storage tank	\$231,185
14	Holderness School	\$300,000	Installation of biomass district heating system for 24 buildings	\$3,950,000
14	Jericho Power, LLC	\$1,000,000	Installation of wind energy project on Jericho Mountain in Berlin	\$20,048,000
14	Northwood Renewables, LLC	\$125,000	Refurbish hydroelectric dam in Ashland and increase generating capacity	\$227,225
14	Pierce Solar, LLC*	\$175,000	Installation of solar photovoltaic system at Franklin Pierce University	\$625,000



14	Plymouth Area Renewable Energy Initiative	\$317,890	Installation of solar photovoltaic array at Plymouth wastewater treatment plant	\$427,980
14	Water Street Solar 1, LLC	\$1,220,000	Installation of solar photovoltaic array at Peterborough wastewater treatment plant	\$2,626,495
14	Xylogen, LLC	\$200,000	Installation of central biomass heating plant at school in Wilton	\$525,000
15	Steels Pond Hydro	\$187,000	New owner to rebuild 600 kW small hydro in Antrim	\$243,600
15	Durham Solar, LLC	\$501,600	Electricity generated by a 640 kW solar PV array will be used by town	\$2,100,000
15	Milton Town Solar, LLC	\$580,757	853 kW solar garden on landfill using net group metering to share renewable energy benefits	\$2,709,566
15	Bedford Town Library	\$387,842	New geothermal heating and cooling system at town library	\$888,842
15	Strafford School SAU 44	\$150,000	Biomass boilers to heat Strafford Elementary	\$437,800
15	Medium Solar PV Project (not yet approved by G&C)	\$450,000	Electricity generated by a 440 kW solar PV array will be used by town	\$1,816,000
Totals		\$6,070,089		\$37,710,693

* Pierce Solar, LLC project was approved by Governor and Executive Council but did not move forward.





GAS & STEAM INDUSTRIES

GAS

New Hampshire is served by two gas utilities, Liberty Utilities and Unitil. With 90,000 customers, Liberty Utilities serves the Interstate 93 corridor from Nashua to Laconia as well as portions of Keene and Berlin. Unitil has 30,000 customers and serves the seacoast area. New Hampshire's two gas utilities depend on the supply of gas through interstate pipelines to delivery points in the New England region in order to deliver gas to customers here.

The 2015 U.S. Energy Information Administration's Annual Energy Outlook forecasts a U.S. national growth rate for natural gas usage of 0.3% annually through 2040, with New England natural gas consumption expected to grow 0.7% annually over that period. The largest consumption sector, nationally and regionally, is natural gas for electric generation. In New England, 46% of electric capacity is produced by gas fired generation plants.

In 2012, about 94% of the gas consumed in the U.S. was produced domestically. The balance was imported from Canada, including a small share from liquefied natural gas or LNG. LNG is vital in helping New Hampshire's 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 during the past biennium, 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. New England has 2,600 miles of interstate transmission pipeline delivering gas from supply basins in the Gulf Coast, western Canadian, and

eastern Canadian regions. Of that, 232 miles of intrastate pipeline run through New Hampshire.

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. 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. 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.

ENERGY EFFICIENCY

In 2002, natural gas utilities instituted new demand side management and other energy efficiency initiatives. In December 2014, the Commission approved a two year budget for the gas energy efficiency programs for 2015 and 2016. The programs are designed to increase awareness of the benefits of energy efficiency, induce lasting market changes and realize 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. During the 2014 calendar year, savings were 150,197 MMBtu.

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 pilot was successful, and the low income bill assistance program has provided assistance to eligible customers for 10 years. 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. During the past biennium, approximately 14,600 customers participated in the gas low income bill assistance program.

UNITIL AND LIBERTY EXPERIENCE RECORD GROWTH

Natural gas commodity prices have declined strongly in recent years, in great measure due to rising domestic production and a positive supply balance. As a result, New Hampshire’s natural gas utilities have been able to safely and reliably serve a growing number of customers. When managed correctly, customer growth leads to economies and efficiencies that reduce rates to all customers over the long term, bringing benefits to both existing and new customers.

Over the past two years, Liberty has doubled its rate of customer growth. In order to meet that growth as well as future growth, the Commission recently approved a contract for additional capacity on the proposed Northeast Direct pipeline to bring additional supplies of

natural gas to New Hampshire. In its order approving the capacity contract, the Commission also approved a growth incentive mechanism for Liberty with growth targets well in excess of current growth rates. Failure to achieve growth targets would expose Liberty to financial penalties.

In its most recent rate case, Unitil projected annual customer growth of 4.5 percent over the next 10 years, well in excess of the Energy Information Administration’s 0.7% growth rate for New England. In 2014, the Commission approved a growth incentive mechanism that provided for a reduced rate of return if Unitil failed to achieve a growth rate of at least 4 percent and an increased return if Unitil achieved a growth rate of at least 5 percent.

Also in 2014, Unitil petitioned the Commission for permission to extend its franchise territory to include Brentwood, which the Commission granted. That expansion has enabled Unitil to provide service to two large commercial and industrial customers and increased natural gas availability to numerous residential customers.

LIBERTY ACQUIRES NEW HAMPSHIRE GAS

In 2014, the Commission approved the sale of New Hampshire Gas, a propane air system providing service to 1,200 customers in Keene, New Hampshire, to Liberty Utilities. The Keene operations will remain unchanged under Liberty and any proposed changes in Keene rates or operations will require Commission approval.

LIBERTY RATE INCREASE

In 2015, Liberty Utilities requested an increase in its annual revenues of approximately \$13.5 million and a step adjustment which was expected to increase revenues by an additional \$2.6 million dollars. The Commission approved a revenue increase of \$10.5 million, an increase

of seven percent, and a step adjustment increase of \$1.9 million. The Commission also required that an independent audit of Liberty be undertaken with a focus on Liberty's financial processes and customer service.

UNITIL RATE INCREASE

In 2013, Unitil requested a revenue increase of \$5.2 million and annual step adjustments in years 2014 through 2017 expected to increase revenues by \$1 million per year. The Commission approved a revenue increase of \$4.6 million, a six percent increase, and step adjustments in 2014 and 2015 of \$1.4 million each year. The Commission also approved a stay-out provision negotiated by Staff and the parties whereby Unitil is prohibited from filing for an increase to its annual revenue until 2017.

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 produced to Unitil.

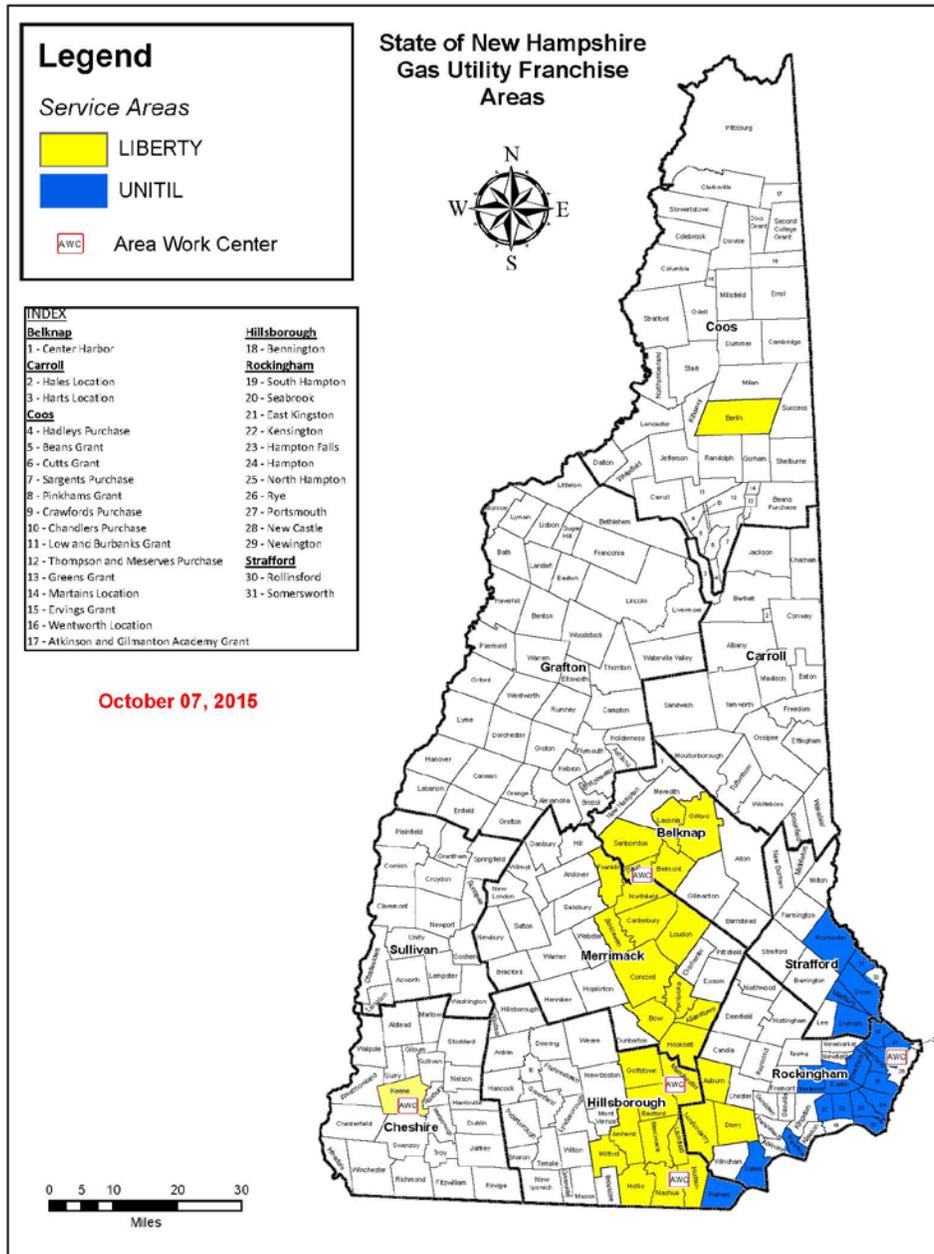
After years of burning oil and natural gas to produce steam, Concord Steam undertook a major capital improvement project to rejuvenate its wood burning systems and in January 2004, resumed burning wood, which now accounts for approximately 70% of the total fuel consumed.

Concord Steam is planning a major upgrade of its existing facilities, which if completed, will reduce pollution and should lower steam rates.

Natural/Propane Gas and Steam Utilities					
Summary Data: Natural Gas, Propane Gas and Steam Utility Companies Operating in New Hampshire					
Calendar Year 2014					
Operating and Financial Statistics	EnergyNorth Natural Gas, Inc./Liberty Utilities ^{/1}	Northern Utilities, Inc./Unitil ^{/2}	Liberty Utilities/ Keene Division ^{/3}	Operating and Financial Stats	Concord Steam Corp. ^{/4}
Bundled (Supply + Transportation) Customer Classes	2014	2014	2014	Bundled Sales	2014
Residential				Public Authority	
Number of Customers	75,824	23,854	733	Number of Customers	6
Average Annual Therms per Customer	812	783	413	Avg. Annual MLb/Customer	16,498
Average Annual Revenue per Customer	\$1,245	\$1,312	\$1,354	Avg. Annual Revenue/Cust.	\$669,541
Revenue per Therm	1.53	1.67	3.27	Revenue per MLb	40.58
Commercial/Industrial/Public Authority				Comm./Ind	
Number of Customers	9,047	5,585	450	Number of Customers	78
Average Annual Therms per Customer	4,408	3,869	2,598	Avg. Annual MLb/Customer	487
Average Annual Revenue per Customer	\$6,225	\$5,180	\$7,403	Avg. Annual Revenue/Cust.	\$20,895
Revenue per Therm	1.41	1.34	2.85	Revenue per MLb	42.90
Unbundled (Transportation) Classes				Other Revenue	
Commercial/Industrial				Number of Customers	0
Number of Customers	2,151	1,043	0	Avg. Annual MLb/Customer	0
Average Annual Therms per Customer	30,636	39,576	0	Avg. Annual Revenue/Cust.	\$288,323
Average Annual Revenue per Customer	\$6,522	\$8,116	\$0	Revenue per MLb	0.00
Revenue per Therm	0.21	0.21	0.00		
Other Operating/Financial Statistics					
Total Customers	87,022	30,482	1,223	Total Customers	84
Total Operating Revenue	\$164,035,787	\$75,890,871	\$4,231,639	Total Operating Revenue	\$5,935,394
Total Operating Expenses	\$145,952,876	\$66,112,615	\$4,291,837	Total Operating Expenses	\$5,710,827
Net Income	\$18,082,911	\$9,778,256	(\$60,198)	Net Income	\$224,567
Rate of Return	4.40%	8.17%	-2.68%	Actual Rate of Return	3.62%
Plant in Service	\$164,035,787	\$121,958,683	\$2,548,725	Plant in Service	\$5,691,251

Source: Calendar Year Ended December 31, 2014 Annual Reports & Year End Rate of Return Calculation 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 use the utility's distribution system to deliver the gas.



Communities Served

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



WATER & SEWER INDUSTRIES

The Commission regulates 17 water utilities and five sewer utilities in New Hampshire. The 17 water utilities own approximately 100 separate systems, ranging in size from 37 customers to about 27,500. Pennichuck Water Works is the largest, serving the greater Nashua area as well as a number of smaller systems in the southern part of the state. The Commission also regulates five investor-owned sewer utilities serving just over 730 customers in the state.

The 17 water utilities regulated by the Commission serve approximately 15% of all of New Hampshire's residents. The large majority of residents are served by either a municipal utility or by private wells. It is estimated that 38% of New Hampshire residents receive their water from private, on-site wells. With the exception of the City of Nashua, the sole shareholder of the Pennichuck Corporation and its subsidiaries, the Commission regulates municipal water systems rates only when the municipal utility serves customers outside municipal boundaries and charges 15% or more above that charged within boundaries. For changes to franchise boundaries, both regulated water utilities and municipal water utilities must seek authorization from the Commission.

WATER INFRASTRUCTURE AND CONSERVATION ADJUSTMENT (WICA) PROCEEDINGS

The Water Infrastructure and Conservation Adjustment (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 proceedings. The WICA program is limited to

the replacement or rehabilitation of water mains, as well as replacement of meters, hydrants, services, and valves. Each WICA filing includes the company's planned WICA construction budget for the following 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, to mitigate rate shock to customers by permitting recovery of the capital improvements once they are completed, and to enhance the reliability of the distribution system by reducing main breaks and lost and unaccounted for water.

AQUARION WATER COMPANY OF NEW HAMPSHIRE

Aquarion Water Company of New Hampshire (Aquarion), serving some 9,300 customers in Hampton and parts of North Hampton and Rye, was granted approval for a pilot program beginning in November of 2009. The program was to be evaluated in the company's next full rate case. In Aquarion's 2012 rate case, 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.

On November 1, 2013, Aquarion filed a petition for approval of its proposed 2014-2017 capital projects. Aquarion proposed \$1,018,568 in 2014 for WICA-eligible capital projects, and proposed preliminary approval of its schedule of 2015 projects in the amount of \$847,000. The Commission approved those amounts, and subsequently approved recovery of the company's 2013 projects through a surcharge of 1.3657%. The surcharge, however, was set at 0% on a temporary basis and was deferred for

recovery in consideration of an anticipated credit to customers resulting from recent changes in federal tax law.

In the second year of the biennium, Aquarion sought approval of a 2.5386% 2015 WICA surcharge based on its completed 2013 and 2014 projects, and approval of its 2015-17 capital projects. The Commission approved that surcharge request, a 2015 capital budget in a range of \$905,000 to \$1,074,000, and a preliminary 2016 budget in a range of \$640,000 to \$775,000.

PENNICHUCK WATER WORKS

In 2011, Pennichuck Water Works (PWW) was granted approval to implement a WICA pilot program that would be evaluated during the next full rate case. Similar to that of Aquarion, the Commission subsequently authorized the PWW WICA pilot program to continue beyond the company's 2013 rate case, in order to more fully evaluate it. Of significance in PWW's WICA program 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.

On December 23, 2013, PWW filed for approval of a 0.59% 2014 WICA surcharge based on its 2013 construction, and for approval of its 2014-16 budgeted projects. After review, Commission Staff recommended approval of a 0.67% surcharge and a 2014 WICA capital budget of \$3.3M, and preliminary approval of PWW's 2015 proposed WICA budget of \$2.5M. In addition, Staff supported certain changes to PWW's WICA tariff, including an adjustment in the timing of future WICA filings. The Commission approved Staff's recommendations.

In a petition filed January 30, 2015, PWW sought approval for a 1.91% 2015 WICA surcharge based on 2014 construction and approval of its 2015-17 construction budget. On April 17, 2015, Staff filed a letter recommending that the Commission approve a surcharge of

1.81%, approve the 2015 WICA capital budget of \$5.2M, provide preliminary approval of PWW's 2016 proposed WICA budget of \$5.4M, and approve changes to PWW's WICA tariff. The recommended changes to PWW's WICA tariff provide modifications to the calculation of the surcharge, new reporting requirements if the company makes any changes to an approved WICA project list, and clarification of customer notice requirements. In addition, the tariff changes include shifting the effective date of each year's new WICA surcharge to June 1, with this new surcharge to be applied to customer bills on a bills-rendered basis. Applying the new surcharge in this way simplifies the company's billing by eliminating the need to pro-rate the surcharge as has been done when it was made effective on a service-rendered basis. The Commission approved Staff's recommendations by order issued April 30, 2014.

RATE PROCEEDINGS

Just prior to the start of the biennium, in May 2013, the three Pennichuck utilities (PWW, Pennichuck East Utility, and Pittsfield Aqueduct Company), submitted petitions for permanent rate relief. These filings were required pursuant to a settlement agreement, approved by the Commission in November of 2011, under which the City of Nashua acquired the stock of Pennichuck Corporation. The reason for those rate case filings was partly to review the unique ratemaking aspects of the utilities implemented at the time of Nashua's acquisition. The new ratemaking structure involves allocation of a share of the city acquisition debt to each utility, in place of shareholder equity. As a result, each company submitted filings prior to the June 1, 2013, deadline.

PENNICHUCK WATER WORKS

PWW's rate case petition sought an increase of just 0.12%, reflecting cost savings in converting Pennichuck Corporation to city ownership. Ultimately, after review of the company's costs and new ratemaking structure, PWW's customer rates remained the same. In addition, PWW's pilot WICA program was

continued for another rate case cycle before it will be reviewed and considered as a permanent element of PWW's tariff.

PENNICHUCK EAST UTILITY

Pennichuck East Utility (PEU) filed a petition for permanent rate relief of 9.97% as well as a request for a step increase of 2.25% resulting from capital improvements completed in 2013. In its final order issued in July of 2014, the Commission approved a 9.91% rate increase and a step increase of 1.62%, for a total increase of 11.52%. The Commission also approved a slight modification to PEU's rate design in accordance with a cost of service study filed with the case. PEU had not sought rate relief since its 2007 rate case.

PITTSFIELD AQUEDUCT COMPANY

Pittsfield Aqueduct (PAC) sought rate relief in the amount of 9.34%. The Commission approved an increase of 8.95%, with new rates effective July 1, 2013.

DOCKHAM SHORES WATER COMPANY

In February of the prior biennium, Dockham Shores Water Company, Inc. (Dockham Shores), a water utility serving 60 residential customers in Gilford, New Hampshire, filed rate schedules seeking an increase in its annual revenues of \$23,844 or 129%. Dockham Shores had not sought new rates since 1989. In October of 2013, the Commission approved a settlement agreement which recommended a rate increase of 122.10%. In addition, a revised tariff was approved, which incorporated updated fees for certain service charges such as service connection charges and returned check fees. Also, in the settlement agreement the company agreed to comply with particular portions of the Uniform System of Accounts.

MILL BROOK VILLAGE WATER

Mill Brook Village Water (Mill Brook) is a water system that provides service to thirty-seven lots within three residential developments

located in Thornton. The system has been providing water service to customers since the late 1980's but had not sought Commission franchise or rate authority. In June of 2014 Mill Brook filed a petition to establish its water franchise, and in August filed rate schedules seeking approval of a rate for water service. In January of 2015 the Commission approved a settlement agreement that recommended approval of a franchise area coincident with the boundaries of three contiguous developments, Mill Brook Village, Brookside Hollow, and The Falls at Mill Brook. Also approved was a flat quarterly rate of \$159.24. Since the three developments are not fully built-out, the Commission approved a mandatory recalculation of Mill Brook's rate each time a new customer is added to the system.

ROSEBROOK WATER COMPANY

Concluding a rate proceeding begun in the previous biennium, the Commission issued an order on December 23, 2013, approving an increase in rates of 31.41% for Rosebrook Water Company. That order also approved a revised rate design, and recognized that Rosebrook had committed to completing certain accounting records, eliminating meter by-passes in its system, and addressing unmetered sales. Rosebrook was also granted approval to recover its rate case expenses in a one-time surcharge at the conclusion of the proceeding.

WEST SWANZEY WATER COMPANY

In July of 2013, West Swanzey filed a petition for a step adjustment to its rates pursuant to authority granted previously by the Commission. The company had borrowed \$40,000 from the State Revolving Loan Fund (SRF) to rehabilitate its production well #2 and replace a well pump. West Swanzey now sought to begin recovery of those costs through a 5.70% rate increase. In December of 2014, the Commission approved an increase of 4.83%.

NEW FRANCHISES

During the biennium, the Commission approved four requests for service expansion into new franchise areas for Hampstead Area Water Company (HAWC). Three of these franchise expansions were new housing developments in which HAWC would provide water service – two in Plaistow, one in Newton. The other new franchise request by HAWC was approved to provide service in Atkinson in an area known as Emery Drive Extension. Groundwater in that area had become contaminated by a chemical known as 1,4-Dioxane. HAWC extended a water main from its Hampstead-Atkinson core system to serve up to 30 homes that can no longer use groundwater wells. Along with serving those customers, HAWC also requested additional franchise area in Atkinson of about 1,125 acres east of route 121 in anticipation of future growth.

PEU sought and received approval to expand its franchise areas in the Town of Hooksett by providing service to the new State of New Hampshire rest areas along Interstate 93. And as mentioned, the Commission granted approval to Mill Brook to operate a water utility franchise in Thornton.

In July 2014, the Commission received a request from the City of Somersworth seeking after-the-fact approval to provide water service to three residential properties that it has served for many years in the City of Dover. 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, extended into Dover to serve three residential properties that have been customers for several years. Somersworth paid for expanding its system to serve these Dover customers many years ago. Consequently, there will be no further capital expenses associated with extending service to these customers. Somersworth will continue to charge rates to these customers that are equivalent to rates it charges to customers inside

its corporate boundaries. The Commission approved the new franchise area in August 2014, and Somersworth remains unregulated.

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 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 systems serving less affluent populations. A water utility submits an application to NHDES to seek funds for a particular project; 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, three regulated water companies received Commission approval to finance capital projects under this program. These include loans to Pennichuck East Utility totaling \$3,282,000 that included \$1,250,000 to replace water mains in its Locke Lake system in Barnstead, \$1,060,000 to replace water mains in its W&E system in Windham, \$572,000 to replace the water system station in its Hardwood system, and \$400,000 to interconnect Avery Estates with Hudson Water system through a booster station. Also new SRF loans were approved for Pennichuck Water Works totaling \$6,470,000, one for \$2,970,000 for replacing water mains in Nashua and Amherst and upgrading PWW's Timberline booster station, and one for \$3,500,000 to replace approximately 6,100' of 36" raw water transmission mains. In addition, Pittsfield Aqueduct Company was approved for a loan for \$165,000 to finance the replacement of 8" main on Fairview St.

Also during the biennium, two utilities took advantage of consistently low interest rates to refinance existing debt. The Commission approved a refinancing for Pennichuck Water Works totaling \$54,500,000 and Lakes Region Water Company, \$950,000. Approval was also given to Lakes Region Water Company as they had taken advantage of the low interest rates to purchase new vehicles totaling \$290,250.

SEWER

On June 13, 2013, Eastman Sewer Company, Inc., the Village District of Eastman, and the Eastman Community Association filed a joint petition with the Commission seeking approval of the Association's sale of the Sewer Company's assets and liabilities to the Village District, and seeking the Sewer Company's exemption from future regulation. Staff filed a Stipulation Agreement on January 16, 2014, the terms of which reflected Staff's and the Joint Petitioners' agreement that the proposed sale meets the applicable legal requirements and recommended that the Commission approve the proposed sale and exempt the sewer system from further Commission regulation. In March of 2014, the Commission granted the Joint Petitioners' request for the Association to sell the assets and liabilities of the Sewer Company to the Eastman Village District, and ordered that, because the Village District is a municipal corporation, its provision of sewer service is no longer subject to the Commission's jurisdiction because that service is provided solely within its corporate boundaries.

On August 30, 2013, the City of Portsmouth filed a request to extend sewer service to three roads in the Town of Rye under the terms of an Inter-municipal Agreement Between the City of Portsmouth and the Town of Rye. The cost of the sewer extension would be paid by a third party, and additional customers could connect at their own cost. Once connected, Portsmouth would assume ownership, operation, and maintenance of the new sewer lines. Portsmouth would provide Rye customers with the same level of service and bill

them at the same rates as Portsmouth customers. While municipal water systems are generally not regulated, the Commission does have the authority by state law to review franchise expansions into other communities. To remain exempt from Commission regulation, customers outside the City must be charged the same rate and be provided the same quality of service as those within the City. Since this was the case in the new service areas of Rye, the Commission approved the new franchise area in January 2014, and Portsmouth's service remains unregulated.

On November 21, 2013, Lorden Commons Sewer Company, LLC (Lorden), a utility authorized to provide sewer service to a residential development known as Lorden Commons in the Town of Londonderry, filed rate schedules to establish initial sewer rates. Lorden provides only residential sewer service. The Commission approved an initial annual rate of \$639.68, or \$159.92 per quarter. Lorden will not collect its authorized revenue requirement in the first years of operation, because Lorden does not expect full build out of the development to occur for a few more years.

LEGISLATION

The 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 language, and public testimony. Summarized here are significant enactments relevant to the work of the Commission from the 2014 and 2015 legislative sessions.

2014 LEGISLATIVE SESSION

HB 1129 requiring the development of an energy efficiency implementation plan; effective 7/28/14. This law directs the Office of Energy and Planning, (OEP) in consultation with the Department of Environmental Services (DES) and the Commission, to coordinate development of an implementation plan for capturing cost-effective energy efficiency in the state.

HB 1224 relative to pipeline operation safety; effective 1/1/15. This bill requires the Commission to apply annually to the federal Pipeline and Hazardous Materials Safety Administration for authorization to oversee pipeline operation safety through an inspection process on behalf of the federal agency and modifies the penalties for violation of standards for service equipment to conform to current Federal penalties.

HB 1384 relative to rehearings by the public utilities commission; effective 7/22/14. This bill increased the time by which the Commission must decide a motion for rehearing from ten (10) days required by RSA 541:5 to

thirty (30) days. The Legislature found that the current 10-day limit for a Commission response is insufficient to resolve objections to complicated issues among multiple parties and that the 30-day period this legislation provided will better ensure due process for all parties involved.

HB 1540 relative to least cost integrated resource plans filed by an electric utility; effective 8/15/14. This legislation, requested by the Commission, changed the requirements for least cost integrated resource plans to be filed with the commission. The law provides that a utility must file a plan within 2 years of the Commission's final order regarding the utility's prior plan, and in all cases within 5 years of the filing date of the prior plan. Additionally, plans must now be consistent with the energy strategy under RSA 4-E:1. The Commission's waiver authority is expanded to allow waiver of any requirement of RSA 378:38 for good cause. The Commission must now approve rather than accept a plan, and priority is to be given to energy efficiency and demand-side resources in evaluating a plan.

HB 1600 relative to reporting of energy production for net metering; effective 8/15/14. This legislation made it more financially viable for a homeowner producing a small amount of energy, less than 15 kilowatts with solar panels, to apply for renewable energy credits and to report production electronically, saving the fee to have someone come out to read a meter. It also modified the definition of "eligible customer-generator."

HB 1602 relative to the divestiture of PSNH assets and relative to the siting of wind turbines; effective, wind siting section 8/1/14, and divestiture sections 9/29/14. This bill authorized the Commission to determine whether PSNH generation assets should be divested; permitted the Commission to order PSNH to divest all or some of its generation assets; added certain costs associated with the

divestiture of PSNH generation assets to stranded costs; provided certain employee protections in the event PSNH generation assets are divested; and established guidelines for the Site Evaluation Committee in adopting rules to govern the siting of large wind energy systems in New Hampshire. Some of the provisions were modified by SB 221, which became law in 2015 and is mentioned below.

SB 245 relative to the siting of energy facilities; effective 7/1/14, except sections 23, 24 and 25 are effective 7/11/14. This bill restructured the membership and duties of the Site Evaluation Committee (SEC) and the requirements for siting energy facilities. The bill decreased the number of state agency members from 15 to 7 and added 2 public members; clarified the procedures for participation of agencies not represented on the SEC; added specific requirements for information sessions in counties where facilities are proposed; created an Administrator to perform tasks authorized by the statute, working under the supervision of the chairperson and with committee approval; appointed the Commission Chair as the SEC chair and the DES chair as vice-president; and attached the SEC administratively to the Commission. The bill also required the SEC to develop a permanent funding plan for submission to the governor and the chairpersons of the House and Senate finance committees, subject to Legislative approval.

SB 268 relative to funding for certain energy efficiency programs; effective 9/29/14. This bill permitted the Commission to allocate certain proceeds from the sale of allowances to entities currently managing certain comprehensive energy efficiency programs, and required them to file annual updates with the Commission, in order to assist in the ongoing evaluation of these programs. In addition, the bill allocated any RGGI auction funds in the Energy Efficiency Fund remaining after paying rebates to customers for allowance proceeds over \$1 to low income programs (15% of balance), municipal and local government core programs and an all-fuels energy efficiency program to be administered by the Commission. Finally, the bill also expanded the Electric

Restructuring Oversight Committees duties to include review of energy efficiency programs administered by the Commission.

SB 324 relative to the assessment of public utilities and other entities to fund the expenses of the public utilities commission; effective 7/1/14. This bill, requested by the Commission, expanded the categories of entities assessed by the Commission to include several groups of non-utilities. More specifically, the bill lowered the assessment percentage for certain telephone utilities and IP telephone service providers; included competitive electricity suppliers, competitive natural gas suppliers, electric load aggregators, and aggregators of natural gas customers in the assessments of the Commission; and imposed a specified minimum assessment amount on certain entities subject to the regulatory and enforcement authority of the Commission.

SB 325 relative to oil spill preparedness and response; effective 6/16/14. This bill gave the DES rulemaking authority to issue state standards for oil pipeline operators' spill response planning. The only operational oil pipelines in New Hampshire are part of the Portland-Montreal pipeline. Crude oil is transported from Portland to Montreal through this pipeline, and there is a strong likelihood that tar sands diluted bitumen will be transported from Montreal to Portland through the pipelines in coming years. The state has no authority to impose restrictions on this interstate pipeline, but NH does have the authority to be prepared for a disastrous oil spill. The Commission and its pipeline safety division have a direct interest in the safe operation of all pipelines traveling through NH.

SB 417 relative to information provided to electric utility customers; effective 6/16/14. This bill required the Commission to work with representatives of the state's regulated electric utilities in determining ways to increase customer knowledge and understanding of the system benefits charge, the renewable portfolio standard, and the regional greenhouse gas initiative, and to report its

findings and recommendations to the Legislature on or before Nov. 1, 2014.

2015 LEGISLATIVE SESSION

HB 153 relative to the telecommunications planning and development advisory committee; effective 7/6/15. This bill changed the membership and duties of the Telecommunications Planning and Development Advisory Committee (TAB), which is primarily tasked with issues relating to broadband infrastructure in the state. TAB is also concerned with the use of broadband for educational opportunities and for medical-related services.

HB 205 relative to lending practices of energy efficiency and clean energy districts; effective 6/8/15. This bill made changes in the financing of loans by energy efficiency and clean energy districts. The bill amended RSA 53-F and RSA 121 to encourage private financing for energy conservation and clean energy development in municipally-designated energy conservation and clean energy districts.

HB 362 relative to the reliability of the electric grid; effective 8/4/15. This bill modified requirements for the removal of hazardous trees. The bill removed from RSA 231 the word “unreasonable” from the conditions under which a tree can be designated a “danger,” enhancing the ability of public utilities to proactively identify trees for pruning or removal to help protect the electric grid from power failures. The bill allowed electric utilities to identify trees that may offer a danger and, after notice to landowners, have a dangerous tree removed at no cost or compensation to the property owner. The bill preserved all other rights of due process, privacy and appeal currently embodied in legislation. HB 362 also added a further consideration for utility programs to develop a more reliable and resilient grid to prevent or minimize outages, as part of utility least cost integrated plans required under RSA 378:38.

HB 382 establishing a committee to study facilitating private investment in energy efficiency and renewable energy; effective 6/2/15. This bill established a Legislative committee to study ways to encourage private investment in energy efficiency and renewable energy. The committee is required to report its findings by November 1, 2015.

HB 572 relative to the siting of high pressure gas pipelines; effective 7/20/15. This bill requires the Site Evaluation Committee to undertake a rulemaking regarding the siting of high-pressure gas pipelines, and provides some statutory guidance concerning the impacts to be considered by the SEC in its rules. The bill requires that rules be adopted within one year of the effective date of the statute. The bill also requires the SEC to consider intervening in FERC proceedings involving siting of high-pressure gas pipelines located in New Hampshire. Finally, the bill allows the SEC to require bonding to fund ongoing monitoring of a project.

HB 614 implementing goals of the state 10-year energy strategy, modifying uses of the site evaluation committee fund, establishing fees for energy facility evaluation, and relative to public information sessions on proposed energy siting; effective 7/8/15. This bill creates four goals to implement parts of the new 10-year energy strategy: 1) electric grid modernization; 2) finding incentives for utilities to help their customers reduce usage; 3) a strategy for further development of public (electric vehicle) charging corridors; and 4) establishing an electricity peak time reduction goal. The bill requires certain actions by state agencies to implement the State Energy Strategy, including requiring the Commission to open a docket on grid modernization by August 1, 2015 and to establish an “electricity peak time reduction goal” by July 1 2016. The bill also addresses funding of the operating costs of the Site Evaluation Committee, including compensation to its public members, reimbursements to state agencies with personnel serving on the SEC or its subcommittees for time and expenses, baseline expenses of SEC

administrator compensation, office space and equipment rental, support staff assignment, and office supplies. The bill also requires the SEC to recover enforcement costs and expenses from energy facility certificate holders that are found to have violated relevant laws, rules, or certificate terms and conditions. Finally, the bill modifies requirements for public information sessions on proposed energy facilities.

SB 60 establishing a commission to investigate implementation of decoupling for New Hampshire utilities; effective 6/12/15.

This bill establishes a commission to investigate implementation of decoupling for New Hampshire utilities. The commission must report its findings and recommendations on or before Nov. 1, 2015.

SB 170 requiring the public utilities commission to ensure ratepayer protections with electric power suppliers and extending the time for the site evaluation committee to adopt certain rules; effective 7/20/15.

This bill requires the Commission to initiate a rulemaking proceeding to allow consumers to choose how they receive communications from competitive electric suppliers. The bill also requires the Commission to redesign its website to afford electric power residential and small commercial customers to compare competitive supplier offerings for electricity. The bill restricts the use of variable rates and requires customer notice at least 45 days before a variable rate takes effect. It also provides a remedy through the Commission for customers who can demonstrate that they have been subject to unfair trade practices by their provider. The bill modifies RSA 374-F:7, III to allow the Commission to impose fines, take enforcement actions, or take other appropriate actions against a supplier found to have engaged in such practices.

SB 221 relative to electric rate reduction financing; effective 7/9/15.

This bill will permit the Commission to issue finance orders that authorize the issuance of certain rate reduction bonds to Eversource (formerly PSNH) in accordance with a 2015 settlement proposal, or if the commission orders divestiture,

regarding cost recovery of the Merrimack Station scrubber and divestiture of Eversource/PSNH's remaining generation plants. The bill will allow Eversource/PSNH to collect stranded costs and to securitize those costs if the Commission approves a Settlement Agreement. The Settlement Agreement provides for the sale of Eversource/PSNH's remaining fossil and hydro generating facilities. If the Commission does not approve the Settlement, the bill will allow the Commission to order divestiture of the PSNH generating assets and provides for recovery and securitization of stranded costs. The bill also clarified employee protections in the event of the divestiture or retirement of PSNH generation assets.

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 Commission, with the Commission providing business services for the office. The OCA is funded through an assessment on New Hampshire's regulated utilities and non-utility energy suppliers.

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 educate consumers about 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, two utility analysts, and a legal assistant. The OCA also has a part-time administrative assistant position.

The OCA actively participated in over 100 matters during the last biennium, including cases and rulemakings at the Commission and legislative hearings.

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 through: a web page 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 OCA Advisory Board meetings are open to the public and include speakers on utility issues.

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.

THE OCA AT THE 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, the OCA participated in DE 14-120, Public Service Company of New Hampshire (PSNH) Annual Reconciliation of Energy Service & Stranded Costs for 2013. The petition covered (1) the reconciliation between revenues and expenses included in the Stranded Cost Recovery Charge (SCRC) and energy service charges, (2) the performance of PSNH's fossil and hydro generation facilities, and (3) how PSNH met its energy and capacity requirements during calendar year 2013. Regarding a disputed \$5.7 million remaining in the overcollateralization account, the parties entered into a settlement agreement to split the amount between ratepayers and the Company.

In an electric utility case, the Commission opened an investigation concerning Eversource's ownership of generation assets DE 14-238. The OCA has actively worked on the

rate impact on residential consumers of pollution control investments by Public Service Company of New Hampshire (now Eversource) as part of the so-called scrubber docket and the related question of Eversource's ownership of generation in the divestiture docket. These cases affect 70% of New Hampshire's electric rate service territory. Following up on the work initiated by the prior Consumer Advocate, the OCA litigated the reasonableness of the Eversource investment in the scrubber. This took place in October 2014 during a seven-day adjudicative hearing with over 130 individual exhibits.

Before the Commission issued a decision, Eversource, joined by a leading senator and supported by the governor's office, requested parties enter into settlement discussions. A large multiparty negotiation took place over several months among the OCA, Commission Staff, the Office of Energy and Planning, Eversource and two New Hampshire state senators. Following potentially contentious settlement discussions, the parties reached an agreement that would resolve both the scrubber and the divestiture dockets. The proposed settlement is pending before the Commission.

In efforts to reduce consumer bills, the OCA 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 and investigation dockets at the Commission. The OCA is currently participating in the Commission Investigation into an Energy Efficiency Resource Standard, Grid Modernization investigation and the Investigation into Potential Approaches to Ameliorate Adverse Wholesale Electricity Market Conditions in New Hampshire.

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 the general public for questions about proposed consumer related 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 participates in the Legislative Electric Restructuring Oversight Committee meetings advocating for legislative changes to support 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

The OCA is a founding member of the Consumer Advocates of New England (CANE) which is a group of state agencies from New Hampshire, Maine, Massachusetts, Rhode Island, Vermont and Connecticut which collaborate on regional issues when to do so is mutually beneficial. To advocate for New Hampshire electric ratepayers at the Independent System Operator (ISO-) New England (NE) regional level, the OCA uses in-house staff and an outside consultant as needed. The OCA is an “end user” member of the New England Power Pool (NEPOOL) Participants Committee, and as a result the OCA has a vote on this important body on behalf of New Hampshire electric customers.

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 OCA also participates in the Consumer Liaison Group, which seeks to increase residential customer representation 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>.

Board meetings are open to the public and all meeting materials are posted on our website.

CONSUMER ADVOCATE EXPENDITURES

Classification	Class	Expenses [1]	
		FY 2014	FY 2015
Salaries	10	329,970	309,171
Current Expense	20	2,248	1,216
Rent & Lease – Other	22	1,735	1,728
Maintenance – Other	24		
Organizational Dues	26	3,500	2,999
Transfers to OIT	27	32,231	24,137
Transfers to General Services	28	17,299	16,063
Equipment	30		
Telecommunications	39	2,088	2,192
Indirect Costs	40	5,700	5,700
Audit Fund Set-Aside	41		
Consultants	46	4,664	3,795
Trans. to Other Agencies	49 [2]	13,657	13,924
Other Personnel Services	50 [3]	1,796	6,838
Westlaw	57	5,449	6,126
Benefits	60	190,628	160,765
Unemployment	61		
Workers' Compensation	62		
Retirees Health Insurance	64		
Educational Training	66		
Travel (In State)	70	1,510	877
Grants - Non-Federal	73		
Travel (Out of State)	80	6,285	4,726
Litigation Expense	233	64,631	66,108
Total		683,393	\$626,364

Notes:

[1] Source of Information - NH First FY 2014 Closing Report dated July 30, 2014 & FY 2015 Closing Report dated July 30, 2015.

[2] The major expenses include funds transferred to support the Attorney General's office.

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

SITE EVALUATION COMMITTEE

Laws of N.H. 2014, Chapter 217 (SB 245), effective July 1, 2014, made significant amendments to RSA 162-H, *Energy Facility Evaluation, Siting, Construction and Operations*. Among other things, the responsibility for chairing the Site Evaluation Committee (SEC) was transferred from the Commissioner of the Department of Environmental Services to the Chairperson of the Public Utilities Commission (Commission). The membership of the SEC was also changed and now includes the two Public Utilities Commissioners as well as the Commission Chairman, Commissioners of the Department of Environmental Services, the Department of Transportation, the Division of Resources and

Economic Development, and the Department of Cultural Resources (or the Director of the Division of Historical Resources as designee). In addition, two members of the public and an alternate serve on the SEC. As a transitional matter and as provided for in the legislation, the transfer of the chair became effective with the appointment of the second public member to the SEC on December 3, 2014. Members of the public are appointed by the Governor with the consent of the Executive Council. A new position was created by the legislation, that of an SEC Administrator. The SEC Administrator is under the supervision of the Chair of the SEC, and the SEC is now administratively attached to the Public Utilities Commission.

Classification	Class	Expenses [1]	
		FY 2014	FY 2015
Salaries	11		
Current Expense	20		3,572
Rent & Lease – Other	22		
Maintenance – Other	24		
Transfers to General Services	28		
Equipment	30		186
Telecommunications	39		
Consultants	46		
Other Personnel Services	50		
Benefits	60		
Board Expenses	65		884
Travel (In State)	70		
Total		-	\$4,642

Notes:

[1] Source of Information - NH First FY 2014 Closing Report dated July 30, 2014 & FY 2015 Closing Report dated July 30, 2015.



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