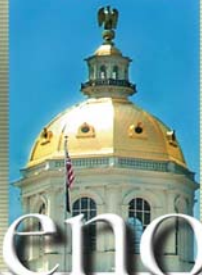


Focus On

New Hampshire Utilities

This newsletter was established to communicate timely information about the utility industry in New Hampshire. We encourage any subscriber with questions, comments or suggestions to contact any of the individuals at Orr & Reno listed below.

Orr & Reno
Professional Association



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PUC APPROVES RETAIL ENERGY SERVICE PROGRAM IN PSNH'S SERVICE AREA

The New Hampshire Public Utilities Commission recently gave expeditious approval to a proposal by Public Service Company of New Hampshire and others to establish a new program designed to stimulate the migration of large commercial and industrial customers from PSNH's energy service to electricity purchased from competitive suppliers. In its order of November 21, 2003 the PUC approved the Retail Energy Service (or RES) Program, and noted that competition "is not meaningfully existent within the PSNH service territory." This program, however, according to the PUC will "allow non-utility suppliers to market energy successfully to the eligible PSNH customers" and will result in "little or no harm to customers remaining on Transition Service." The program will provide what the PUC referred to as a "shopping credit" that is intended to provide an incentive to large customers to shop for a better price. The program will begin on February 1, 2004 and last for two years.

Although PSNH filed the proposal, PUC Staff, the Business and Industry Association, the Office of Consumer Advocate, Freedom Energy Partners, LLC, Select Energy, Constellation NewEnergy, Inc. and Competitive Energy Services, LLC all supported it. The program will allow large PSNH customers, those whose billing demand is one megawatt or greater or those multiple-location customers whose total load is at least one megawatt, to select a competitive supplier and receive a per kilowatt hour credit against the energy portion of their electric bills. This credit is likely to provide the incentive for a customer to go to a competitive supplier because it would allow the customer to obtain a price that is better than the transition service price. Because the transition service price, which is based on an estimate of PSNH's costs of providing the electricity, is lower than the market price for electricity there has been no incentive for PSNH's customers to purchase power from a competitive supplier. It is hoped that this credit will create the incentive to shop around for a competitive supplier instead of purchasing the transition service price.

The program will total 100 megawatts, which amounts to somewhere between a third and a quarter of PSNH's large commercial and industrial load, about 6-7 percent of PSNH's transition service load. . PSNH may increase the program by another 25 megawatts if it wants. Customers who elect to participate in the program will have to be in the program for a minimum of 6 months and if they leave they will have to wait another 6 months before returning. PSNH will calculate the monthly credit available to the customers who participate in the program two times a year. PSNH will post the credit and the number of customers participating in the program on its website. (continued on next page)

A customer who participates in the program, once signed up for the program, would shop for a supplier to provide the electricity it needs. The amount of the per kwh "shopping credit" will be established by determining the difference between the forecasted market price, or the marginal cost to PSNH of buying more power to serve the load, and the transition service price, which is an estimate of PSNH's average costs of generating the power approved by the PUC, less 0.1 cents per kwh.

The customer and the supplier would enter into an agreement for the customer to purchase its electricity from the supplier. Participating in the program and reaching agreement with a supplier are two different things, which means that an agreement with a supplier could be for a different period of time than the period a customer is participating in the program. While a customer could have an agreement with and purchase power from a supplier without being in the program, in order to receive the credit the customer would have to be eligible and participating in the program. The program will be available on a first-come first-served basis.

This program takes advantage of the fact that the average cost of providing transition service is lower than the average cost of such energy on the regional wholesale market. PSNH is not required to divest itself of its non nuclear generating assets until at least April of 2006. PSNH's retained generating assets operate at a relatively low cost, thus producing electricity that is lower in cost than the regional wholesale market

Some BIA members have discussed forming an aggregation pool to utilize the program.

Doug Patch

Legislature

Fiscal Committee

Next meeting: December 17, 2003 9AM room s 210-211 LOB.

Joint Legislative Committee on Administrative Rules

Next meeting: December 18, 2003 9AM rooms 306-308 LOB.

New LSRs (Legislative Services Requests) of interest:

These are bills that are being drafted for the next legislative session, which will begin in January of 2004. The House established a deadline last spring for the introduction of bills for the 2004 session. Any drafting request that was not submitted by April 24, 2003 must have the approval of the Rules Committee before it can be submitted. The Senate, on the other hand, allowed requests for bills for 2004 to be submitted so long as the request and complete information on the bill were submitted to Legislative Services by November 14, 2003.

House:

2003-H-2006-L – HB 1356 - Rep. Mark S. Carter –assessing a fee on water withdrawn for commercial bottling purposes from water supply sources in the state.

2003-H-2018-R – CACR 20- Rep. Harriet E. Cady - relative to encouraging conservation of gravel and water resources of the state. Providing that the general court may provide for special assessments, rates, and taxes on gravel and water withdrawn from the resources of the state.

2003-H-2021 –R – HB 1221 - Rep. Harriet E. Cady – establishing a committee to study repealing universal telephone service charges.

2003-H-2052-R – HB 1230 - Rep. James G. Phinizy – relative to abandoned deposits held by telephone utilities and relative to public interest payphones.

2003-H-2182-R – HB 1199 - Rep. David Bickford – relative to water connection fees.

2003-H-2199-R – HB 1209 - Rep. Barbara J. Hagan – relative to substances added to public water supplies.

2003-H-2256-R-HB 1316- Rep. Norman Major – relative to the computation of tax on certain telecommunications services under the communications services tax.

Senate:

2004-S-3040-R - Sen. Odell – relative to payment of utility assessments.

2004-S-3064-R - Sen. Green – allowing towns and cities to adopt a property tax exemption for certain public utility property.

2004-S-3155-R – Sen. D’Allesandro – relative to fluoridation of municipally-owned public water systems.

2004-S-3206-R- Sen. Johnson – relative to establishing a committee to study the effects of electric utility restructuring on state dams and the alternatives for the operation and maintenance of state-owned dams.

2004-S-3232-R- Sen. Boyce – establishing a committee to study the application of advanced information technology in certain state agencies.

PUC Public Meeting

At its public meeting on December 5 the Commission took the following action:

1. Approval of the November 21 Commission Meeting Minutes
2. Announcement of Order No. 24,242 (11/26/03), in DE 01-247, Unitil Energy Systems, Inc., Tariff Filing with Revisions to Terms and Conditions for Competitive Suppliers, Appendix B, Enhanced Metering Service and Interval Data Service – Suspending Tariffs
3. Ratification of a Secretarial Letter dated 11/21/03, in DT 03-204, Verizon New Hampshire, Tariff Filing Updating Collocation Provisioning Intervals – Administrative Letter to the effect that the tariff is effective November 23, 2003.
4. Ratification of a Secretarial Letter dated 11/25/03, in DW 03-144, Consolidated Water Company, Investigation into the quality of service of the Birch Hill Water System – Schedule of Hearing on December 10, 2003.
5. Ratification of a Secretarial Letter dated 11/26/03, in DT 00-223, Investigation into whether certain calls are local – Extension of Time – revising the schedule.
6. Ratification of a Secretarial Letter dated 11/26/03, in DE 03-113, Public Service Company of New Hampshire, Investigation into service quality in Bedford – Information Request to PSNH.
7. Ratification of a Secretarial Letter dated 12/01/02, in DW 02-128, Hampstead Area Water Company, Rate Case, and DW 03-150, Hampstead Area Water Company, Petition for a new franchise – modification to hearing schedule rescheduled to December 3, 2003.

8. Ratification of a Secretarial Letter dated 12/01/03, in DE 01-057, Joint Filing of Energy Efficiency Core Programs – joint motion for permission to continue current programs approved.
9. Ratification of a Secretarial Letter dated 12/02/03, in DM 03-196, Request to Waive Certain Reporting Requirements – Extension of Time until December 10, 2003.
10. Order of DW 03-103, Hall Farm Realty Trust, Petition for Franchise Approval – Franchise Petition and Stipulation approved.
11. Order of DE 03-195, 2004 State-Wide Low Income Electric Assistance Program – Prehearing Conference
12. Order Nisi of DT 02-229, IDT America Corporation, Petition to Amend Order No. 24,124 by granting authority to collect advanced payments – grants authorization.
13. Order Nisi of DG 03-194, Concord Steam Corporation, Petition for Commission Approval to treat certain outstanding Intra-Company transfers as long-term debt and Petition for an Increase in Short-Term Borrowing Authority – long-term debt and increase in short term borrowing authority – this item was deferred.
14. New Business – DT 03-108 RCC Atlantic Inc. order declaring that the PUC has no jurisdiction and DW 01-153 – Water Conservation – final order.
15. Miscellaneous Administrative Matters – next meeting December 19, 2003 at 3:30 PM.

Upcoming PUC Hearings

- December 8, 2003 9AM – DG 03-160, EnergyNorth Natural Gas, Inc., Technical Session
- December 10, 2003 10AM – DW 03-144, Consolidated Water Company (Birchview) Settlement Hearing
- December 11, 2003 10AM – DT 01-127, Global NAPs, Inc., Technical Session
- December 12, 2003 9AM – DE 03-210, NHEC, Stranded Costs Hearing
- December 12, 2003 1:30PM – Granite State Electric Co. – Retail Rate Adjustment Hearing
- December 16, 2003 1:30PM – DT 03-208, Mediation for Appropriate Implementation of the TRO regarding Interconnection Agreements, Prehearing
- December 17, 2003 9AM – DG 03-160, KeySpan – COG, Hearing
- December 18, 2003 9AM – DG 03-260, KeySpan – COG, Hearing
- December 31, 2003 10AM – DE 03-187, NHEC, Easement Rights, Technical Session
- January 7, 2004 10AM – DE 97-171, Verizon, SCAT-DC Power Costs, Hearing
- January 8, 2004 10AM – DE 97-171, Verizon, SCAT-DC Power Costs, Hearing
- January 12, 2004 9AM – DT 02-165, Verizon Yellow Pages, Hearing
- January 13, 2004 9AM – DT 03-165, Verizon Yellow Pages, Hearing
- January 14, 2003 9AM – DT 02-165, Verizon Yellow Pages, Hearing
- January 15, 2003 10AM – DT 01-127, Global NAPs, Inc., Settlement Discussions
- January 21, 2004 10AM – DE 03-187, NHEC, Easement Rights, Settlement Conference
- January 22, 2004 10AM – DT 01-127, Global NAPs, Inc.
- February 4, 2004 10AM – DE 03-187, NHEC, Easement Rights, Hearing
- February 5, 2004 10AM – DT 03-216, Transition from DS1 Switching, Hearing
- February 12, 2004 10AM – DT 03-216, Transition from DS1 Switching, Hearing
- February 13, 2004 10AM – DT 03-216, Transition from DS1 Switching, Hearing

New PUC Dockets

DT 03-216 Investigation of the Transition Problems Raised by DSCI and INFOHIGHWAY – Investigation of the Transition Problems Raised by DSCI and InfoHighway
DE 03-217 Unitil Energy Systems, Inc. – Use of Electric Master Meters
DT 03-218 Computer Network Technology Corporation – Petition for Authority to provide competitive local telecommunications exchange service
DT 03-219 Verizon New Hampshire – Tariff Filing to add an optional TLS feature called customer service management
DE 03-220 Public Service Company of New Hampshire – Petition for license to construct and maintain electric lines over and across the Cocheco River in Rochester, New Hampshire
DT 03-221 Wilton Telephone Company – Centrex Tariff Offerings
DT 03-222 Hollis Telephone Company – Centrex Tariff Offerings
DW 03-223 Aquarion Water Company of New Hampshire – Petition for Waiver of NHPUC Rule 605.01(b)
DE 03-224 Granite State Electric Company – 2004 retail rate filing
DE 03-225 Public Service Company of New Hampshire – Petition for license to construct and maintain electric lines over and across the Ashuelot River in Keene, New Hampshire
DG 03-226 Northern Utilities, Inc. – Filing of Revised Tariff Sheets regarding Section III – Line Extensions
DM 03-227 Amerada Hess Corporation – Registration as a Natural Gas Supplier

Governor and Executive Council

At the meeting of the Governor and Executive Council this week, the following items were approved:

#22 Authorized the Public Utilities Commission to retroactively co-sponsor with the NH Municipal Association a one-day conference entitled "Municipal Safety Showcase" held in the field in Bow, NH, on September 18, 2003 at a cost not to exceed \$3,953. (2) Further authorize to retroactively enter into a contract with Muddy River Smokehouse of Portsmouth, NH, to provide catering services in support of the one-day conference noted above. 100% Federal Funds.

#35 Authorized the Department of Environmental Services to award a Public Water System Emergency Interconnection grant to the Bartlett Village Water Precinct, Bartlett, NH, to complete a project to better protect public water supplies from future potential terrorist attacks, in the amount of \$15,000. (2) Further authorize to award a Public Water System Emergency Interconnection grant to the Town of Exeter, NH, to complete a project to better protect water supplies from future potential terrorist attacks, in the amount of \$15,000. (3) Further to award a Public Water System Emergency Interconnection grant to the Woodsville Water & Light Department, Woodsville, NH, to complete a project to better protect water supplies from future potential terrorist attacks, in the amount of \$14,962. Effective upon G&C approval through September 30, 2004. 100% Federal.

#40B Authorized Public Service of NH's request to amend permit to stabilize an additional 14,000 sq ft of eroded shoreline using Class C rock riprap on property located along the Piscataqua River in Portsmouth (previously approved by G&C on 2-5-03).

<http://www.state.nh.us/council/execouncil.html>

Next meeting: Wednesday December 17, 2003 - 10 AM at the State House.

Special Issues

#The Nashua Telegraph reported that the contract for the head of Pennichuck Corp. includes a \$500,000 bonus that appears much more likely to be paid if the utility is sold to anybody other than the city of Nashua, according to documents filed by the company. It appears possible that the bonus of two years' salary in the Aug. 4 contract for Pennichuck CEO Donald Correll could be paid even if Nashua buys the utility, and might not be paid even if somebody else buys Pennichuck. The payment, however, seems far more likely if the utility is sold to a private firm. The city and Pennichuck have been involved in a debate over the future of the utility for almost two years. Nashua offered to buy Pennichuck for \$121 million. Details for Correll's contract, which runs for three years, are included in a company report issued by the Securities and Exchange Commission earlier this month. According to the filing, the contract says if Correll is terminated within 12 months of a "change of control," defined as a sale of the company, he will receive two years' salary and fringe benefits "as a lump sum." Correll's salary is \$250,000 a year. The contract also includes this provision: "The sale, whether voluntary or pursuant to the exercise of the power of eminent domain, of one or more of the corporations' water utility subsidiaries . . . arising from . . . municipalization efforts of the city of Nashua and/or affected New Hampshire municipalities, shall not constitute the occurrence of a change of control." If a "change of control" has not happened, Correll could be terminated and get no bonus – nothing other than "accrued but unpaid salary." Under the contract, such a scenario can only happen if Nashua is involved in the takeover. The contract was signed on Aug. 4 and it runs for three years.

#The NH Business Review reported recently that the Securities and Exchange Commission and the NH Bureau of Securities Regulation are investigating whether Pennichuck Corp. should have disclosed information about \$500,000 worth of business which the utility did with a landscaping company managed by the son of former Pennichuck CEO Mo Aurel. The company, MGM Plus Grounds Maintenance, did business with Pennichuck between 1996 and 2002, though apparently the contracts were awarded as a result of a competitive bidding process.

#According to Foster Electric Report the Federal Energy Regulatory Commission took action on two fronts related to the New England Power Pool and ISO New England. In the first instance FERC conditionally approved a joint proposal to implement a forward reserve market in New England. Once this is established the new market will allow parties to obtain 10-minute non-spinning and 30-minute operating reserves in advance while ensuring that suppliers with offline resources are compensated for the reliability services they provide. In other action FERC refused to set a deadline before which NEPOOL and the ISO must implement full nodal pricing for all load. Although asked by a group of industrial customers to establish such a deadline FERC instead decided to permit the grid operator to implement nodal pricing solely when it could do so within an entire zone.

#According to a recent AP report state officials have successfully completed a test of the wireless location system for the state's E911 emergency system that allows officials to locate cell calls. 53 percent of the calls received by the state's E911 center are from cell phone users. Currently, those callers must tell emergency workers their location. The new system will provide emergency workers with the map coordinates needed to locate a wireless call. Current location information only displays which side of a cell phone tower is transmitting the wireless call. The system is especially important now that people can transfer their home landline telephone numbers to their cell phones. Many may decide to go completely wireless and get rid of their home lines.

Requesting information from wireless providers is the next step in getting the system up and running in New Hampshire. By 2005, cellular companies will be required to give emergency workers longitude and latitude coordinates of an emergency caller within 60 meters of his location.

The NH Site Evaluation Committee met on December 1, 2003 and approved a request by AES Londonderry, L.L.C., the 740 megawatt gas-fired power plant in Londonderry, NH, to extend for four years the time within which it was required to construct above-ground oil storage tanks at the site of the plant. The approval included compliance with five conditions concerning a hotline, notice of the commencement of construction, the absence of wetlands or blasting issues, and the operations of the plant not being affected by the delayed construction. While natural gas is the primary source of fuel for the plant, low-sulfur distillate was intended to serve as a back-up fuel in the event that natural gas was interrupted. At the same meeting the Committee took under advisement a request by FPL Energy Seabrook that the SEC declare no jurisdiction over the proposed uprate at the 1206 megawatt nuclear plant which will increase the total capacity by 101.7 megawatts over the next few years. FPLE Seabrook claimed that the modifications would be small-scale, internal plant modifications that would involve no significant environmental impact and that the work would be done during scheduled refueling outages in 2005 and 2006. The company also claimed that the uprate would be addressed by other agencies including the Nuclear Regulatory Commission, the Fish and Game Department and the Department of Environmental Services. The Committee also took under advisement a request by Public Service Company of NH that it declare no jurisdiction over the change in one of the generating units at the Schiller Station in Portsmouth from oil to wood and coal. PSNH contended that there would be no change in the megawatt output of the unit, 45, and that it would comply with all city and state permitting. The Committee wanted to consult with legal counsel before acting on either the FPLE Seabrook or the PSNH request.

##The FCC held a Forum to discuss Voice over Internet Protocol (VoIP) where all FCC Commissioners were scheduled to participate on Monday December 1, 2003. The purpose of the Forum was to gather information concerning advancements, innovations, and regulatory issues related to VoIP services. Information concerning the Forum, including the agenda, copies of presentations, and bios of the speakers, is available at the Forum webpage <http://www.fcc.gov/voip/>. According to the Washington Post at this forum Federal Communications Commission Chairman Michael K. Powell warned against regulation of telephone calls that travel over the Internet, saying government interference could stifle the development of a still evolving technology. During the last year, several companies have sprung up that allow users to place calls over the Internet for a fraction of the regular cost. The Internet calls are cheaper in part because users do not pay state or federal regulatory fees. In some areas those fees add up to 20 percent of a monthly phone bill and raise billions of dollars for state and federal coffers. Like Powell, Commissioner Kathleen Q. Abernathy expressed concern about the actions of the state officials. But California Public Utility Commissioner Carl Wood argued at the forum that regulators have an obligation to oversee telephone services, whether they travel over traditional lines or the Internet. The National Association of Regulatory Utility Commissioners voted earlier this month in favor of regulation of such services. Although the technology has been around for almost a decade, it has remained relatively obscure. Major telecommunications companies including AT&T Corp., Qwest Communications International Inc. and SBC Communications Inc. already provide Internet phone services to businesses. In the last month they have announced plans to roll out similar service for

residential users. The telephone companies are attracted to the Internet because they view it as a way to avoid the regulatory regime that covers their standard networks. Moving calls over to the Internet, however, is also cheaper and more efficient. Major cable companies such as Comcast Corp. are planning to introduce their own Internet telephone services in the next year and a half. Powell acknowledged that there are several issues the FCC must still resolve. Law enforcement agencies, including the FBI, have expressed concerns about their ability to listen in on conversations conducted over the Internet. In addition, Internet telephone companies are also struggling to make their systems compatible with the emergency 911 system. Finally, there is also concern that the growth of Internet telephone service could reduce revenue for the Universal Service Fund, a \$6 billion annual program, paid for by fees on most phone bills. The fund subsidizes the cost of telephone service in poor and rural areas.

A recent AP report says that the federal Environmental Protection Agency has proposed tougher rules to cut smog- and soot-forming chemicals from power plants in 30 states, hoping to improve air quality across the eastern half of the country over the next 12 years. The proposal would cap emissions of sulfur dioxide and smog-causing nitrogen oxide at power plants from New England to the Midwest and reduce the amount of pollution that drifts hundreds of miles across state lines. These ceilings would go into effect until 2015. It is estimated that upgrades to meet the new requirements would cost \$5.5 billion annually when full put in place. It will take about a year before the proposal becomes final. The proposal would cap sulfur dioxide emissions from power plants at 3.2 million tons annually, less than a third of current emissions. Nitrogen oxide would be limited to 1.7 million tons a year, compared to a little more than 4 million tons today.

Subject to Check...

*From Random Joke!:

1. Q: What animal has more lives than a cat? A: A frog, because he croaks every night.
2. Q: Which way did the programmer go? A: He went DATA way!
3. Q: How do you make holy water? A: Boil the hell out of it.

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