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STATE OF NEW HAMPSHIRE



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December 15, 2010

ORIGINAL	
Case No.	DE 10-188
Exhibit No.	#1
Witness	Panel 1
DO NOT REMOVE FROM FILE	

Debra Howland
Executive Director & Secretary
New Hampshire Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, New Hampshire 03301-7319

RE: DE 10-188 2011-2012 CORE & Gas Energy Efficiency Programs

Dear Ms. Howland:

I enclose for filing with the Commission an original and six copies of the Settlement Agreement of the Utilities, Staff, the OCA, and several intervenors as specified in the Agreement. Thank you on behalf of the Settling Parties for the additional time that the Commission granted to allow us to reach this Agreement. I also wish to acknowledge the significant effort of the Settling Parties, and especially Attorney Suzanne Amidon on behalf of Staff, in reaching this Agreement.

Thank you for your assistance.

Respectfully,

A handwritten signature in cursive script, appearing to read "M. Hatfield".

Meredith A. Hatfield
Consumer Advocate

cc: Service List via electronic mail

**STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION**

Docket No. DE 10-188)
2011-2012 Core Electric Energy Efficiency and)
Natural Gas Efficiency Programs)

SETTLEMENT AGREEMENT

This document concerns the approval of the electric and gas energy efficiency programs which are intended to be implemented for calendar years 2011 and 2012. This Settlement Agreement (Settlement Agreement) is entered into by the following parties and Staff: Granite State Electric Company d/b/a National Grid (National Grid); New Hampshire Electric Cooperative, Inc. (NHEC); Public Service Company of New Hampshire (PSNH); Unitil Energy Systems, Inc. (UES) (collectively, “Electric Utilities”); EnergyNorth Natural Gas, Inc. d/b/a National Grid NH (National Grid NH) and Northern Utilities Inc. d/b/a Unitil (Northern) (National Grid NH and Northern collectively “Gas Utilities”); Office of the Consumer Advocate (OCA); New Hampshire Community Action Association (CAA); N.H. Office of Energy and Planning (OEP); The Way Home (TWH); and Staff of the Commission (Staff) (all collectively referred to as “Settling Parties and Staff”). The Conservation Law Foundation (CLF), Jeremy Hill, Daniel Ramage, US Energy Savers LLC (USES), Department of Environmental Services (DES), Homebuilders and Remodelers Association of New Hampshire (HBRANH) and New Hampshire Housing Finance Authority (NHHFA) are also parties to this docket but are not parties to this Settlement Agreement.

I. PROCEDURAL HISTORY

On August 3, 2010, the Electric Utilities and the Gas Utilities made a joint filing of the proposed 2011-2012 Core Electric Energy Efficiency and Gas Energy Efficiency programs. The filings are attached to this Settlement Agreement as Attachment A and Attachment B, respectively.¹

The electric efficiency programs are known as the CORE Programs and are funded by the system benefit charge (SBC) pursuant to RSA 374-F:4, VIII(c), as well as by forward capacity market (FCM) payments administered according to the FCM rules of the Independent System Operator-New England (ISO-NE). The Electric Utilities propose that the CORE Program Management Team comprised of representatives from each electric utility, continue to oversee all CORE program activities and quarterly reporting, and resolve issues that arise by consensus with one member specifically designated as the liaison with Settling Parties and Staff.²

The Electric Utilities propose maintaining a “performance incentive” for utility shareholders and NHEC members, which allows the Electric Utilities to earn a performance incentive between 0% and 12% of the CORE Program Budget depending on the level of a utility’s performance in meeting goals. The Electric Utilities propose to calculate the performance incentive based on actual expenditures to avoid the double calculation of performance incentives in the event that budgeted amounts are carried over into a subsequent program year.

The Electric Utilities propose the continuation of the previously adopted budget adjustment guidelines allowing the Electric utilities to transfer funds when necessary among

¹ Errata sheets will be produced and filed with the Commission and provided to the Parties and Staff for Attachments A and B.

² See Concord Electric Company et al Order No 23,892 in Docket No. DE 01-057, 87 NH PUC 378 (2002).

programs within the commercial and residential sectors, subject to certain limitations. See page 18 of the Electric Utilities' initial filing attached hereto as Attachment A.

The 2011 CORE program budget reflects the budget change that will occur on July 1, 2011 resulting from the passage 2010 NH Laws Chapter 001 (SB 300). Under SB300, the funding for the CORE programs was reduced from 1.8 mils to 1.5 mils until June 30, 2011. The proposed 2011 program budgets reflect the return to the funding level of 1.8 mils as of July 1.

The gas efficiency programs are funded by an energy efficiency charge that is included in the Local Distribution Adjustment Clause (LDAC). The LDAC is traditionally adjusted annually, effective November 1st, in what are known as Cost of Gas proceedings before the Commission. The energy efficiency charge is a line item in the LDAC and is comprised of any reconciliation of prior year actual program expenses, and the per therm rate necessary to fund the subsequent year program budget amounts.

Thirty days prior to the submission of their Winter Cost of Gas filings with the Commission, the Gas Utilities shall review the adequacy of their program budgets for the remainder of the calendar year and/or the following calendar year. In the event that either of the Gas Utilities determines that any of the previously approved energy efficiency programs will exhaust the approved program budget for either calendar year, the Gas Utility may propose an adjustment to that budget through its proposed Local Distribution Adjustment Charge in its Winter Cost of gas filing.

The Gas Utilities propose to continue their energy efficiency program offerings for 2011 and 2012, with a few changes. On the residential side, the Gas Utilities included updates to the Gas Networks program, and National Grid NH continued to offer a program element to address individually metered gas multifamily facilities (five or more units).

The Gas Utilities also propose a change to expand the low income program to serve individually metered gas multifamily facilities within the low income program. The proposed budgets have been increased for these individually metered, low income multifamily facilities. For commercial customers, the Gas Utilities propose a new program structure which aligns with the electric utilities. The programs are Commercial and Industrial (C&I) New Equipment and Construction Program, C&I Large Retrofit Program and Small Business Energy Solutions Program. The first two programs contain both prescriptive and custom retrofit measures, and the Small Business program is a new program targeted at gas customers with annual gas consumption less than 40,000 therms.

To further coordinate with the CORE Programs offered by the Electric Utilities, the Gas Utilities are proposing energy efficiency budgets using the same budget categories as the Electric Utilities to allow for comparability between planning and reporting. In addition, the Gas Utilities will adopt the format of the performance incentive mechanism in the same manner as presented by the Electric Utilities.

The Commission issued an Order of Notice on August 12, 2010 which scheduled a prehearing conference for August 31, 2010.

On August 5, 2010, the OCA filed a letter with the Commission indicating that it would participate in this docket on behalf of residential ratepayers pursuant to RSA 363:28. The N.H. OEP filed a petition to intervene on August 11, 2010. The CAA filed a petition to intervene on August 20, 2010. On August 26, 2010, petitions to intervene were filed by TWH, Daniel Ramage and R. Jeremy Hill, US Energy Saver LLC (USES), and CLF. These timely-filed petitions to intervene were granted at the prehearing conference held on August 31, 2010.

On August 30, 2010, the HBRANH filed a motion to intervene and on September 17, 2010 the N.H. Housing Financing Authority filed a petition to intervene. Finally, the N.H. Department of Environmental Services (DES) filed a motion to intervene on September 20, 2010. On August 31, 2010, the Electric Utilities filed a joint objection to the petitions to intervene of USES and Messrs. Ramage and Hill.

On September 10 and 13, 2010, Russell Aney, the principal of USES, filed a proposal recommending that the Commission shift the administration of the program to a newly created entity called the NH Energy Trust (NHET). Mr. Ramage filed a revision to the NHET proposal on September 16, 2010. Also on September 16th, Mr. Ramage filed a request to substitute the intervention of Messrs. Ramage and Hill with NHET.

The Electric Utilities filed a letter on September 22, 2010 reserving rights to serve data requests on the NHET proposal and on Messrs. Ramage and Hill to the extent that the NHET proposal recommended changes to the 2011-2012 Program.

On September 2, 2010, Staff filed a proposed procedural schedule, which the Commission approved by a secretarial letter dated September 27, 2010. In addition to approving the schedule, the Commission stated that the NHET proposal to assume administration of the energy efficiency programs was beyond the scope of the docket but to the extent that Messrs. Ramage or Hill, the principals of NHET, or Mr. Aney sought to critique the 2011-2012 CORE Electric Energy Efficiency and Gas Energy Efficiency programs, those parties could present such changes in the proceeding. The Commission also denied NHET's motion to intervene. The Commission granted full intervention to Daniel Ramage, Jeremy Hill, Home Builders & Remodelers Association of New Hampshire, USES, Conservation Law Foundation, The Way Home, New Hampshire Community Action Association, and the Office of Energy and Planning.

On October 13, 2010 The Commission granted late intervention to the New Hampshire Housing Finance Authority and the Department of Environmental Services.

Staff and the parties conducted multiple rounds of discovery on the 2011-2012 energy efficiency programs. On October 15, 2010, Staff filed the testimony of James J. Cunningham, Jr. and Al-Azad Iqbal; OCA filed the testimony of Stephen R. Eckberg; Mr. Hill filed testimony on his own behalf; and Eric Steltzer filed testimony on behalf of OEP. On November 15, 2010, the following rebuttal testimony was filed: Carol Woods for NHEC; Angela Li, Brian Kearney, and Thomas Palma on behalf of the Gas Utilities; Angela Li, Carol Woods, Thomas R. Belair, and Thomas Palma on behalf of the Electric Utilities; and Messrs Cunningham and Iqbal for Staff. The Gas Utilities filed corrected testimony on November 19, 2010.

A technical session was held on December 3, 2010 where the Parties and Staff also conducted settlement discussions.

II. SETTLEMENT TERMS

The Settling Parties and Staff agree that the August 3, 2010 filings of the Electric and Natural Gas Utilities, as modified by this Settlement Agreement and the errata sheets described in footnote 1, should be approved by the Commission.

A. Authority to Administer Energy Efficiency Programs

The Settling Parties and Staff agree that the Electric Utilities and Gas Utilities have the responsibility of carrying out the 2011-2012 CORE Electric Energy Efficiency and Gas Energy Efficiency programs, to spend within the Commission approved budgets, and to meet operational goals for every program contained therein. The Gas and Electric Utilities shall have the necessary authority to manage the operation of the 2011-2012 Core Electric Energy Efficiency and Gas Energy Efficiency programs in order to achieve the budget and programmatic

goals established by the Commission approval of said programs. The Settling Parties and Staff agree that the quarterly meetings are not intended for the purpose of managing the day-to-day implementation of the 2011-2012 Core Electric Energy Efficiency and Gas Energy Efficiency programs.

B. Quarterly Meetings and Reports

The Settling Parties and Staff agree to meet quarterly to review the 2011-2012 Core Electric Energy Efficiency and Gas Energy Efficiency programs implementation and related issues consistent with the past practice of the Settling Parties and Staff. The Settling Parties and Staff also agree to establish the agenda items for each quarterly meeting at the end of the previous quarterly meeting held in this docket and agree that the following issues should receive priority for consideration during these meetings: 1) the quarterly reports; 2) marketing, education, and outreach and 3) monitoring and evaluation.

The Settling Parties and Staff agree that no party shall be prohibited from introducing other issues related to the review of the planning and operation of the 2011-2012 Core Electric Energy Efficiency and Gas Energy Efficiency programs at any quarterly meeting.

The Electric Utilities and Gas Utilities agree to file a quarterly report no later than 60 days after the end of the quarter. The Settling Parties and Staff agree that the quarterly reports shall include: 1) a summary of the highlights of the 2011-2012 Core Electric Energy Efficiency and Gas Energy Efficiency programs, including program expenses, participation, and lifetime kWh and MMBtu savings; 2) details of the electric and gas program budget, showing the expenses by activity with pie charts for each program and total by customer sector; 3) a summary of the electric and gas highlights of the Home Energy Assistance program; 4) an electric-related forward capacity market report; and 5) monitoring and evaluation reports as described below in

Section II.E. On June 1 of each year, PSNH agrees to provide to the Parties and Staff a calculation of set-aside money available under RSA 125-O, pursuant to the settlement agreement approved by the Commission on November 4, 2010.

The Settling Parties and Staff agree that quarterly reports will also include an update on the total marketing budget for 2011-2012 Core Electric Energy Efficiency and Gas Energy Efficiency programs. The report will provide: 1) the total amount budgeted for each marketing program, 2) the amount spent to the date of the report, and 3) a description of what funds remain available for marketing. The Settling Parties agree to use the quarterly meetings to review marketing expenditures as necessary. If such reports indicate that marketing funds are not being expended as anticipated by the budget, the Settling Parties and Staff agree that the CORE Management Team or the Parties and Staff can propose devoting such unexpended funds to support the 2011-2012 Core Electric Energy Efficiency and Gas Energy Efficiency programs.

C. Working Groups

The Settling Parties and Staff agree that it is appropriate for the CORE Program Management Team and the Gas Utilities, in consultation with the non-utility Parties and Staff, to create working groups to seek consensus on how to deal with program issues.

D. Performance Incentive

1. Background Regarding Performance Incentive Working Group

Pursuant to the settlement agreement approved by the Commission in DE 09-170, the proceeding for the approval of the 2010 CORE Programs, the Electric Utilities and Staff agreed to form a working group to develop an approach to ensure that performance incentives are appropriately aligned with CORE Program goals. The working group met twice but did not reach an agreement on how to proceed with changes to the performance incentive calculation.

For purposes of this Settlement Agreement, the Settling Parties and Staff agree to the continuation of the working group created in program year 2010, which was charged with examining the design of the performance incentive and considering whether the performance incentive could be better aligned with energy efficiency goals. In support of this working group, Staff agrees to provide a summary of its review of other states' performance incentive programs by February 15, 2011 to the Parties. The Staff will also examine the availability of other resources, such as the Northeast Energy Efficiency Partnership and the Regulatory Assistance Project, to assist this working group.

2. Performance Incentive for Gas and Electric Programs for 2011-2012

The Settling Parties and Staff agree that the Gas Utilities and Electric Utilities will calculate the performance incentive relating to the 2011-2012 CORE Electric Energy Efficiency and Gas Energy Efficiency programs by using actual expenditures rather than budgeted expenditures, as proposed in Attachments A and B. The use of actual expenditures in the performance incentive calculation formula shall be limited to not more than 5.0% over the Commission-approved budget amount for each year. The Settling Parties and Staff agree that this cap would be applied at the overall level in that the Gas Utilities and Electric Utilities may not exceed 5.0% of the total of the Commission-approved budgets for each utility's residential and commercial/industrial sectors, which included the performance incentive. A utility may apply for permission to exceed the 5.0% cap demonstrating good reasons why the cap should be exceeded for that program year.

The Settling Parties and Staff agree that the Electric Utilities and Gas Utilities will prepare annual performance incentive filings consistent with the method approved for use by the Electric Utilities in Docket No. DE 09-170, the proceeding for the 2010 CORE programs, subject

to the cap described in the preceding paragraph. The Settling Parties and Staff agree that the Electric Utilities and Gas Utilities will strive to complete their prior year performance incentive filings by June 1st of the subsequent year. The Settling Parties and Staff agree that the Electric Utilities and Gas Utilities will include end-of-year reconciliation in their performance incentive filings to document and identify any carry forward balance.

OEP does not agree nor disagree with the methodology suggested in the settlement. The OEP expressed caution regarding whether the existing structure for determining program savings and performance incentives is the best option.

E. Commission Financial Audits

The Settling Parties agree that the Commission's Audit Staff will conduct a financial audit of the 2011-2012 Core Electric Energy Efficiency and Gas Energy Efficiency programs. Staff shall file the financial audits conducted in the 2011 and 2012 program years in Docket No. DE 10-188.

F. Monitoring and Evaluation

1. Background

Pursuant to a settlement agreement approved by the Commission in March, 2007, responsibility for Monitoring and Evaluation (M&E) of CORE Programs was transferred from the Electric Utilities to Staff to allow for more independent oversight.³ Since 2006, the Staff, in conjunction with the Electric Utilities, has overseen the M&E of the CORE Programs including the allocation of the M&E budget. The Settling Parties and Staff agree that providing information on the status of M&E activities to the Parties on a quarterly basis will allow all interested parties the opportunity to examine those activities and the related expenditures.

³ See *Petition for Approval of 2006 "Core" Energy Efficiency Programs*, 91 NH PUC 117, Order No. 24,599 (2006) in Docket No. DE 05-157.

2. M&E Report by Staff of CORE M&E Activities

To address the above issue, the Settling Parties and Staff agree that Staff, in conjunction with the Electric Utilities, will provide quarterly reports about the status of M&E activities. The report will be prepared by Staff, and will include information from the Electric Utilities. The report will be filed with the Commission 60 days after the close of the relevant quarter. Staff will provide a copy of the report to the parties in this docket.

The report will provide the total amount budgeted for each M&E program, the amount spent to the date of the report, and a description of what funds remain available for M&E. The Settling Parties will use the quarterly meetings to review the M&E expenditures. If such reports indicated that M&E funds are not being expended as anticipated by the budget, the CORE Management Team or the Parties and Staff may propose allocating such unencumbered funds to support the CORE programs.

Staff also agrees that it will ensure that on a prospective basis all M&E reports are available on the Commission's website, and will notify the parties in this docket as to how those reports can be accessed.

The M&E activities expected for the 2011 program year along with associated expenditures is attached to the Settlement Agreement as Attachment C. Attachment C was prepared by Staff in consultation with the Electric Utilities and lists the planned activities for 2011 as of the time of the Settlement Agreement.

The Settling Parties and Staff acknowledge that Staff has proposed that a substantial portion of the M&E funding from the 2010 program year, which has not been spent, should be utilized for a study of the state's energy efficiency and sustainable energy programs pursuant to

2010 NH Laws Chapter 335 (SB 323). The Parties do not take a position regarding use of the 2010 SB 323 monies for the study at this time.

The Settling Parties and Staff believe that this legislatively-required study will provide important information about the CORE and gas efficiency programs, and will cooperate with the consultants selected for the study.

3. M&E by Gas Utilities

As described more fully on page 32 of the Gas Utilities' energy efficiency filing, the Gas Utilities conduct monitoring and evaluation of the HPwES program and reserve the right to conduct additional evaluations during the proposed 2011-2012 program period. The Gas Utilities agree to file with the Commission quarterly reports no later than 45 days following the end of the relevant quarter on the status of M&E activities. The report will provide the total amount budgeted for each M&E program, the amount spent to the date of the report, and a description of what funds remain available for M&E.

The Gas Utilities will provide a copy of the report to the Staff and Parties in this docket. The Settling Parties will use the quarterly meetings described in Section II, A above, to review the M&E expenditures. If such reports indicated that M&E funds are not being expended as anticipated by the budget, the Gas Utilities, the Settling Parties or Staff may propose allocating such unencumbered funds to support the Gas Utilities' programs.

Staff agrees that it will ensure that on a prospective basis all M&E reports filed are available on the Commission's website and will notify the Gas Utilities and the Parties in this docket as to how those reports can be accessed.

G. Efficiency for Low Income Customers

The Settling Parties and Staff support the low income budgets proposed by the Gas Utilities and Electric Utilities in their 2011-2012 Core Electric Energy Efficiency and Gas Energy Efficiency program filing. The Electric Utilities propose to allocate 14.5 percent of overall Core program budgeted amounts to the Home Energy Assistance (HEA) program for program year 2011 and 15 percent for program year 2012. The Gas Utilities budget allocates \$840,895 to the low income program for 2011 and \$903,062 for 2012, which is roughly 11.6% and 11.5% of overall budgets for each year, respectively. Low income budgets and expenditures will be reviewed in the quarterly meetings.

To provide uniformity in the calculation of costs and benefits in the Low Income HEA program, PSNH shall discontinue its practice of including all non-SBC costs and energy savings in its calculation of the benefit/cost ratio for this program.

H. Program Savings Calculation

1. Background

The Staff witnesses' testimony asserts that the lifetime kilowatt-hour savings proposed by the electric utilities in 2011 and 2012 is low compared to the actual savings achieved in 2008 and 2009, and they believe that the projected savings should be more reflective of historical performance. Staff recommended that actual 2009 savings on a measure by measure basis be reported along with 2011 and 2012 planned savings as was done in the responses to the data requests attached to the Electric Utilities' rebuttal testimony in this docket.

In their rebuttal testimony the Electric Utilities explained that they did use actual results from previous years but that the projections also reflected certain planning assumptions including, but not limited to, increases in the cost of measures and the overall cost of saving a

single kilowatt-hour; reductions in the useful life of certain measures; and changes in local codes and federal regulations.

2. Settlement Term

The Settling Parties and Staff agree that the projected savings for 2011 reflected in the 2011-2012 Core Electric Energy Efficiency and Gas Energy Efficiency programs as filed on August 2, 2010 are appropriate. The Settling Parties and Staff agree that the derivation of the projected savings for the 2012 program year, however, will be supported by additional information such as historical kilowatt-hour saving trends along with changes in measure costs, measure life, measure mix, and energy codes as well as other factors which may impact projected savings.⁴ The information will be presented by measure or end-use and will include the number of measures installed historically and the number projected to be installed, where available.⁵ If an adjustment to the historical savings can be reduced to a calculation, then that calculation will be provided by the Electric Utilities and Gas Utilities. If the Electric Utilities and Gas Utilities make an adjustment using something other than a mathematical adjustment, the Electric Utilities and Gas Utilities will explain that adjustment in full. The Electric Utilities and Gas Utilities agree to provide the documentation for the projected 2012 savings by September 30, 2011. The Electric Utilities and Gas Utilities will use the form of report provided in Attachment D (Responses to Staff Data Requests 2-27) in preparing the savings reports.

I. On-Bill Financing

At present, the Electric Utilities can offer on-bill financing of energy efficiency measures through a program funded through the Greenhouse Gas Emissions Reduction Fund. The Settling

⁴ Such factors will include any updated avoided energy and capacity costs in the new regional Avoided Cost Study in 2011.

⁵ Due to the limited number of large commercial and industrial projects completed in a given year, Unitol, for example, does not project the end-use or equipment to be installed through its large C&I programs. Savings are projected on a “rolled-up” basis based on historic weighted average savings.

Parties and Staff agree that the on-bill financing mechanism is an important tool for the successful implementation of the Electric Utilities' energy efficiency programs. The Settling Parties and Staff support efforts to build upon the State's existing efforts, including opportunities to leverage private financial resources, within the limitation of State law. Nothing in this Settlement Agreement precludes the Utilities, Parties or Staff from introducing alternative financing strategies that seek to expand energy efficiency opportunities.

J. Contractor Recruitment

The Settling Parties and Staff agree that by the end of the first quarter of 2011, the Electric Utilities and Gas Utilities will issue a public solicitation of interest to assess the interest that contractors may have to participate as qualified contractors to deliver the HPwES program. The Electric Utilities and Gas Utilities will provide a report on the results of the solicitation to the Parties and Staff. If there is a significant level of interest from contractors and the Settling Parties and Staff, the Electric Utilities and Gas Utilities may issue a request for proposals (RFP) to add additional qualified contractors to the approved list of contractors to deliver the energy efficiency programs. Additionally, by the end of the first quarter of 2011, the Electric Utilities and Gas Utilities agree to modify their websites to allow interested parties to notify the utilities of their interest to receive the most recent solicitation of interest relevant to the interested parties. The Electric Utilities and Gas Utilities websites will have a location on their sites to post the most recent solicitations of interest. This process will provide a model for future solicitations of interest, screening/qualifying of contractors, and an RFP process for other large programs such as the Small Business Energy Solutions Program.

K. 2012 Program Year

The Parties and Staff agree that program improvements should be implemented in the CORE and gas programs as quickly as possible. To that end, the Parties and Staff agree that possible changes in the 2012 program plan should be discussed at the quarterly meetings described in Section II, A during 2011 as such opportunities arise. Any proposed program changes for 2012 shall be filed with the Commission no later than September 30, 2011.

L. Marketing Plan

The Utilities will provide a marketing plan for 2011, including a detailed budget, with input from the Parties and Staff no later than January 30, 2011. The Utilities will provide the same for 2012 no later than October 31, 2011.

M. Utility-Specific Issues

1. NHEC Load Management Program

NHEC will continue to operate and refine its existing Load Management Program outside of the SBC-funded CORE programs. In order to resolve issues related to NHEC's Load Management Program as identified in this docket, NHEC agrees not to seek inclusion of its existing Load Management Program in future CORE proceedings. NHEC is not, however, restricted from proposing for inclusion in future CORE proceedings other demand response programs which it may develop, and which may include elements of the equipment and technologies currently used in NHEC's existing Load Management Program. If NHEC proposes SBC funding for future programs, such proposals shall be made through a CORE docket and would be subject to Commission approval. Although NHEC will be operating its existing Load Management Program outside of the context of the CORE programs and therefore not subject to

Commission review and approval, during the 2011-2012 program years NHEC will include in its quarterly reports updates concerning the existing Load Management Program.

2. Home Performance with Energy Star®

The Settling Parties and Staff agree that PSNH and UES may continue to implement a “fuel neutral” pilot program under the New Hampshire Home Performance with EnergyStar® Program (“HPwES”), consistent with the authorization of the 2010 pilot in Order No. 24,974. The rebate for all HPwES programs run by the Electric and Gas Utilities will be capped at the lesser of 50% of the project expenditures or \$4,000. The Settling Parties proposed that PSNH and UES continue the pilot program in 2011, with PSNH serving a total of 716 homes and UES serving up to 100 homes. UES and PSNH, consistent with Order No. 24,974, will continue to earn a performance incentive for electric savings only in the pilot program.

UES and PSNH will continue to use the Home Heating Index to screen eligible customers, and will continue to serve electrically heated homes. In the event that there are more customers seeking to participate in the program than the approved levels, PSNH and UES shall maintain a waiting list and may petition the Commission for approval to serve additional customers. PSNH and UES shall promptly complete the evaluation of this pilot program, and shall file the evaluation in this docket and provide it to the Parties and Staff. The evaluation shall include, but not be limited to, cost effectiveness, energy savings, impacts on contractors and the market, program design, market transformation effects, and recommendations on how the program could be improved. The study shall be completed by June 1, 2011 to allow the Parties and Staff time to determine positions relative to continuing the program.

If PSNH and UES wish to seek approval of either the continuation of the pilot, or a full fuel blind program for 2012, they shall make a specific request for such approval to the Commission no later than September 1, 2011.

3. Northern Utilities Inc.

In order to resolve issues raised in testimony related to the use of the GDS Efficiency Potential Study (“GDS Study”) and Energy Star Homes, the OCA and Northern propose to strike the following testimony: Revised Rebuttal Testimony of Gas Utilities submitted on November 19, 2010 at page 14 lines 10-18. Northern will also provide to the Commission and the Parties revised testimony including revised analysis of the rate impacts of the GDS Study and Energy Star Homes.

The OCA has no objection to Northern not offering an Energy Star Homes program in 2011, but both parties agree that this should be revisited in 2011 for program year 2012. Customers seeking to build an Energy Star home in Northern’s service territory are eligible to participate in PSNH’s Energy Star Homes program if they take electric service from PSNH, and in UES’ Energy Star Homes program if they take electric service from UES. The OCA has no objection to any of the other budgeted spending levels proposed by Northern for 2011 or 2012 at this time.

III. MISCELLANEOUS PROVISIONS

This Settlement Agreement shall not be deemed in any respect to constitute an admission by any party that any allegation or contention in these proceedings is true or valid. This Settlement Agreement is expressly conditioned upon the Commission’s acceptance of all of its provisions without change or condition. If such acceptance is not granted, the Settlement Agreement shall be deemed to be null and void and without effect, and shall not constitute any

part of the record in this proceeding nor be used for any other purpose. The Settling Parties and Staff agree to support approval of this Settlement Agreement before the Commission and the Settling Parties and Staff shall not oppose this Settlement Agreement before any regulatory agencies or courts before which this matter is brought.

The Commission's acceptance of this Settlement Agreement does not constitute continuing approval of or precedent regarding any particular issue in this proceeding, but such acceptance does constitute a determination that, as the Settling Parties and Staff believe, the provisions set forth herein present a just and reasonable resolution of the issues in the case.

The discussions which have produced this Settlement Agreement have been conducted on the understanding that all offers of settlement and discussion relating thereto are and shall be privileged, and shall be without prejudice to the position of any party or participant representing any such offer or participating in any such discussion, and are not to be used in any manner in connection with this proceeding, any further proceeding, or otherwise.

IN WITNESS WHEREOF, the Settling Parties and Staff have caused this Settlement Agreement to be duly executed in their respective names by their agents, each being fully authorized to do so on behalf of their principal.

ENERGYNORTH NATURAL GAS, INC.
D/B/A NATIONAL GRID NH

By: _____
McLane, Graf, Raulerson & Middleton, P.A.
Sarah B. Knowlton, Esq.


Date: _____

NORTHERN UTILITIES INC.

By: _____
Orr & Reno, P.A.
Rachel Aslin Goldwasser, Esq.


Date: _____

STAFF OF THE NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

By:  _____
Suzanne Amidon, Esq.

Date: Dec 15 2010

OFFICE OF THE CONSUMER ADVOCATE

By: 
Meredith A. Hatfield, Esq.
Consumer Advocate

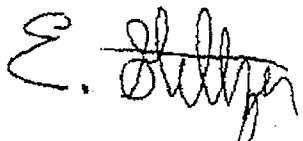
Date: 12/15/10

NEW HAMPSHIRE COMMUNITY
ACTION ASSOCIATION

By: _____
Dana Nute, Director
Housing Rehabilitation and Energy Conservation

Date: _____

OFFICE OF ENERGY AND PLANNING


By: _____
Eric Steltzer
Energy Policy Analyst

Date: _____

THE WAY HOME

By: _____
New Hampshire Legal Assistance
Alan Linder, Esq.

Date: _____

GRANITE STATE ELECTRIC COMPANY
D/B/A NATIONAL GRID

By: _____
McLane, Graf, Raulerson & Middleton, P.A.
Sarah B. Knowlton, Esq.

Date: _____

NEW HAMPSHIRE ELECTRIC COOPERATIVE

By: _____
Mark W. Dean, Esq.

Date: _____

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

By: Gerald M. Eaton
Gerald M. Eaton, Esq.
Senior Counsel

Date: December 15, 2010

UNITIL ENERGY SYSTEMS, INC.

By: _____
Orr & Reno, P.A.
Rachel Aslin Goldwasser, Esq.

Date: _____

OFFICE OF THE CONSUMER ADVOCATE

By: _____
Meredith A. Hatfield, Esq.
Consumer Advocate

Date: _____

NEW HAMPSHIRE COMMUNITY
ACTION ASSOCIATION

By: _____
Dana Nute, Director
Housing Rehabilitation and Energy Conservation

Date: _____

OFFICE OF ENERGY AND PLANNING

By: _____
Eric Steltzer
Energy Policy Analyst

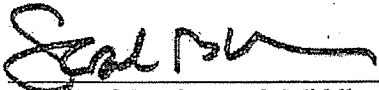
Date: _____

THE WAY HOME

By: Alan Linder
New Hampshire Legal Assistance
Alan Linder, Esq.

Date: 12/15/10

GRANITE STATE ELECTRIC COMPANY
D/B/A NATIONAL GRID

By: 
McLane, Graf, Raulerson & Middleton, P.A.
Sarah B. Knowlton, Esq.

Date: 12/15/10

NEW HAMPSHIRE ELECTRIC COOPERATIVE

By: _____
Mark W. Dean, Esq.

Date: _____

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

By: _____
Gerald M. Eaton, Esq.
Senior Counsel

Date: _____

UNITIL ENERGY SYSTEMS, INC.

By: _____
Orr & Reno, P.A.
Rachel Aslin Goldwasser, Esq.

Date: _____

GRANITE STATE ELECTRIC COMPANY
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Date: _____

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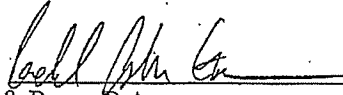
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Senior Counsel

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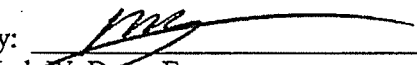
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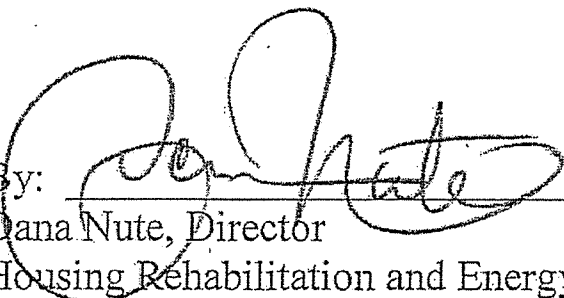
Date: _____

OFFICE OF THE CONSUMER ADVOCATE

By: _____
Meredith A. Hatfield, Esq.
Consumer Advocate

Date: _____

NEW HAMPSHIRE COMMUNITY
ACTION ASSOCIATION

By:  _____
Dana Nute, Director
Housing Rehabilitation and Energy Conservation

Date: 12-15-10

OFFICE OF ENERGY AND PLANNING

By: _____
Eric Steltzer
Energy Policy Analyst

Date: _____

THE WAY HOME

By: _____
New Hampshire Legal Assistance
Alan Linder, Esq.


Date: _____

ENERGYNORTH NATURAL GAS, INC.
D/B/A NATIONAL GRID NH

By: _____
McLane, Graf, Raulerson & Middleton, P.A.
Sarah B. Knowlton, Esq.

Date: _____

NORTHERN UTILITIES INC.

By:  _____
Orr & Reno, P.A.
Rachel Aslin Goldwasser, Esq.

Date: 12/15/10

STAFF OF THE NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

By: _____
Suzanne Amidon, Esq.

Date: _____

ENERGYNORTH NATURAL GAS, INC.
D/B/A NATIONAL GRID NH

By: 
McLane, Graf, Raulerson & Middleton, P.A.
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Date: 12/15/10

NORTHERN UTILITIES INC.

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Rachel Aslin Goldwasser, Esq.

Date: _____

STAFF OF THE NEW HAMPSHIRE
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Suzanne Amidon, Esq.

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