

BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

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PUBLIC SERVICE COMPANY OF)	DOCKET NO. DE 07-108
NEW HAMPSHIRE)	
Petition for Approval of Least Cost)	
Integrated Resource Plan)	

PARTIAL SETTLEMENT AGREEMENT

This Partial Settlement Agreement is entered into by and among Bridgewater Power Company, L.P. (“Bridgewater”), Constellation Energy Commodities Group, Inc. and Constellation NewEnergy, Inc. (collectively “Constellation”), TransCanada Hydro Northeast, Inc. (“TransCanada”), Freedom Logistics, LLC (“Freedom”), Halifax-American Energy Company, LLC (“HAEC”), Public Service Company of New Hampshire (“PSNH” or “Company”), and the Staff of the New Hampshire Public Utilities Commission (“Staff”) (hereinafter collectively referred to as “the Parties and Staff”) with regard to PSNH’s 2007 Least Cost Integrated Resource Plan dated September 30, 2007 and filed with this Commission on September 28, 2007. This Partial Settlement Agreement, if accepted by the Commission, will resolve most of the outstanding issues in this proceeding. One unresolved issue is summarized herein and will be among those presented to the Commission for its consideration at the hearing scheduled for October 14, 2008.

I. Background

On September 28, 2007, PSNH filed, pursuant to NH RSA 378:38, its biennial Least Cost Integrated Resource Plan (“LCIRP”). An Order of Notice was issued on January 4, 2008, and a Prehearing Conference was conducted on January 31, 2008. Intervention requests were granted to Bridgewater, Constellation, Freedom, HAEC and TransCanada. The Office of the Consumer Advocate (“OCA”) appeared as a statutory party. The Staff of the Commission filed testimony on June 6, 2008, and PSNH filed rebuttal testimony on

August 15, 2008. Several rounds of discovery were conducted on PSNH's initial filing, Staff's testimony and PSNH's rebuttal testimony. A technical session was conducted on May 7, 2008, and settlement conferences took place on August 26, September 5, September 24, and October 1, 2008.

II. Scope

In addition to the requirements for LCIRP filing found in RSA 378:38, PSNH was also required to address in its plan certain issues contained in a Partial Settlement Agreement filed in the Company's last LCIRP proceeding, DE 04-172. In addition to accepting the Partial Settlement Agreement in DE 04-172, the Commission also decided certain contested issues in its Order No. 24,695. Some of the requirements of Order No. 24,695 were outlined in the Commission's Order of Notice in this proceeding:

Order No. 24,695 required PSNH to file a LCIRP that includes the following components: 1) electric energy and demand forecasts for delivery and energy services under high-, low- and base-case scenarios; 2) the resource balance over the planning period, including an assessment of PSNH's base-load, intermediate and peaking needs; 3) a systematic evaluation of reasonably available demand-side resources plus a description of the avoided cost methodology and associated avoided cost forecast used for evaluation purposes; 4) generic cost information relating to the construction or acquisition of new generation capacity; 5) a description of the process, including the results of any evaluations used by PSNH, to select the mix of demand-side and supply-side resources included in the resource plan; and 6) the resource plan with which PSNH proposes to fill the resource balance at the lowest cost. Order of Notice at 1.

The Staff's testimony, PSNH's rebuttal testimony and discussions at the technical session and settlement conferences set forth differing positions regarding a number of issues, including whether PSNH complied with the directives of Order No. 24,695. It is not necessary to set forth these positions because the Parties and Staff have agreed to resolve the following matters as described below.

III. Settlement

During the course of discovery in this proceeding, the Company responded to several sets of data requests submitted by the other Parties and Staff, and the Parties and Staff participated in one technical session and four settlement conferences. As a result of those

settlement conferences, the Parties and Staff have entered into a Partial Settlement Agreement that resolves most of the outstanding issues. PSNH agrees that in its next LCIRP filing with the Commission, it will include the items identified below.

A. General Settlement Terms

1. RSA 378:38 provides that “each electric utility shall file a least cost integrated resource plan with the commission at least biennially” and further specifies the minimum information that must be included with such plans. Furthermore, RSA 378:40 prohibits the approval of any rate change “with respect to any utility that does not have on file with the commission a plan that has been filed and reviewed in accordance with the provisions of RSA 378:38 and RSA 378:39.”

2. The Parties and Staff disagree whether the information and analyses included in the 2007 LCIRP are sufficient to determine whether the resource choices identified in the plan are least cost and in the public interest, but do not believe that such disagreement must be resolved at this time. Nevertheless, the Parties and Staff agree, and therefore request that the Commission determine, that PSNH’s plan includes the information identified in RSA 378:38, and therefore is adequate to the extent required by RSA 378:40 to authorize the Commission to approve changes in rates.

3. The Parties and Staff further agree, and therefore request that the Commission clarify, that any order accepting PSNH’s plan as filed in this docket shall not constitute an endorsement or approval of the resource options set forth in the plan or of the construction or ownership of new generation by PSNH, nor shall such order establish a precedent or have any binding effect upon the Commission or any other party to this proceeding in the event that PSNH proposes in the future to pursue any specific resource option identified in the plan. The fact that a particular resource option was not anticipated at the time of the filing of the LCIRP and therefore was not included in the plan shall likewise not preclude PSNH from proposing such a resource, unless inclusion of such resource in an LCIRP is required by law.

4. PSNH's next LCIRP will include all of the information specified in this agreement. In addition, unless otherwise ordered by the Commission, PSNH's next LCIRP will include the information specified in the filing requirements contained in Commission Order No. 24,695 issued in Docket DE 04-072. To the extent there are conflicts between the filing requirements of Order No. 24,695 and this Partial Settlement Agreement, the Parties and Staff agree that this Partial Settlement Agreement controls.

5. PSNH agrees to file its next LCIRP one calendar year following final approval of this plan.

B. Demand-Side Resources

1. Analysis of Demand-Side Potential. Consultants hired by the Commission are currently conducting an analysis of the potential for energy efficiency and demand reduction in New Hampshire. The consultants' final report is intended to show the technical potential, economic potential and market potential for energy efficiency and demand-side management in New Hampshire and in each electric and gas franchise territory. This study is expected to form the basis of the Commission's assessment of demand-side potential for each utility. In its next LCIRP filing PSNH will base its assessment of demand-side resources on the results of the study, subject to amendment or revision by the Commission, that relate to PSNH's franchise area. To the extent that PSNH determines that any of the potential demand-side opportunities in the consultant's report are not appropriate for its franchise area, PSNH will explain with supporting documentation or studies (such as cost/benefit analyses), why its demand-side resource plan does not take into account the potential associated with such resource opportunities.

2. Analysis of Demand Response Programs. In its next filing, PSNH will include in its economic analysis of Demand Response programs, including the ISO-New England Demand Response program, only those incremental capital costs and incremental administrative expenses incurred by PSNH to implement such programs. The Parties and

Staff agree that the installed cost of a meter for large customers in Rate GV and Rate LG would not be incremental if the meters currently installed are capable of being modified and reprogrammed in ways that meet program requirements. The prudent costs to modify and reprogram existing meters are understood to be incremental.

In addition, PSNH will perform an assessment of the savings in transmission or distribution costs associated with Demand Response programs and will include the results of the assessment in its next LCIRP filing. The results of the assessment will also be reflected in the economic analysis of the Demand Response programs included in the next filing.

C. Supply-Side Resources

1. Analysis of Biomass and Wind Units. In its next LCIRP filing, PSNH's economic analysis will include, in addition to the costs included in the 2007 LCIRP, the costs of land, capital additions, and transmission costs. PSNH will also provide a biomass fuel price forecast and will provide all information and supporting documentation it used to develop its forecast. The biomass fuel price forecast will include a base case with high and low scenarios. PSNH may also prepare and include a range of land and transmission cost estimates.

2. Analysis of Solar Photovoltaic. In its next LCIRP filing, PSNH will prepare its economic analysis based upon the then existing law concerning tax advantages for utilities. PSNH's analysis will include estimates of operating and maintenance expense for photovoltaic systems including a factor for the degradation in the output of the photovoltaic device over time.

3. Ranking of Supply-Side Resource Options. In its next LCIRP filing, the ranking of supply-side options will be based upon a revenue requirements analysis. Fuel diversity, price stability, transmission system stability, and statewide or local economic benefit may be used as tie breakers in the ranking analysis.

Because Renewable Energy Certificate (REC) revenues are now included in the revenue requirements calculation for renewable resources, and SO₂ and NO_x allowance expenses are included in the revenue requirements for non-renewable resources, the Parties and Staff agree that when CO₂ emissions costs are internalized in 2009 there is unlikely to be a need to develop a ranking process that treats environmental impacts separately from revenue requirements. In addition, the Parties and Staff agree that the inclusion of forward capacity market credits in the revenue requirements calculation minimizes the need to consider availability at system peak as a separate and independent criterion in the ranking process.

In order to rank projects that serve different purposes or differ in size, the ranking process will be based on the ratio of net revenue requirements to market purchases for each option, with both quantities expressed in net present value terms. Projects with ratios less than one would be deemed economic relative to market purchases. Those with lower ratios would be viewed as having greater value to customers per dollar of expenditure than those with higher ratios and hence would be ranked higher.

4. Newington Operational Analysis. In its next LCIRP filing, PSNH's operational analysis of the Newington unit will be based on the forward price of fuel oil.

5. Wholesale Price Forecast. Natural gas prices used by PSNH in the development of wholesale price forecasts will reflect historical price differences between the market delivery point chosen as the basis of the forecast and the appropriate delivery point in New England.

IV. Unresolved Demand Side Issue

PSNH, Staff and OCA agree that the same test (the Total Resource Cost test) should be used in LCIRP and Core Energy Efficiency proceedings to evaluate the cost effectiveness of demand-side programs, but they could not agree on the test's

components. Specifically, PSNH, Staff and OCA disagree on whether a factor for “non-quantified benefits (e.g., environmental and other benefits)”, see Order 23,574, should be included in the test. PSNH, Staff and OCA will present their positions on this issue at the hearing.

V. Miscellaneous Provisions

1. This Partial Settlement Agreement shall not be deemed in any respect to constitute an admission by any party that any allegation or contention in this proceeding is true or false. Except as expressly stated herein, the entry of an order by the Commission approving the Partial Settlement Agreement shall not constitute a determination by the Commission as to the merits of any other issue raised in this proceeding. The approval of this Partial Settlement Agreement, and a determination that PSNH’s LCIRP filing is adequate under RSA 378:38-41 et. seq., shall not be deemed as adoption by the Commission of any proposed actions by PSNH contained in the plan nor a requirement nor approval that PSNH carry out any action contained in the plan unless otherwise considered by the Commission in another proceeding. Notwithstanding the foregoing, however, PSNH may request and the Commission may cite to the plan in any determination that a particular request or proposed action by PSNH is consistent with the LCIRP if such compliance is required by statute in order for PSNH to proceed with such action. *See*, e.g. RSA 362-F:9, RSA 378:40 and 41.

2. This Partial Settlement Agreement establishes no principles and shall not be deemed to foreclose any party from making any contention in any future proceeding or investigation, except as to those issues that are stated in this Partial Settlement Agreement as being resolved and terminated by approval of this Partial Settlement Agreement.

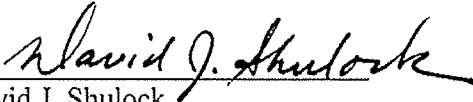
3. This Partial Settlement Agreement is the product of settlement negotiations. The content of those negotiations (including any workpapers or documents produced in connection with the negotiations) are confidential and all draft offers of settlement are

without prejudice to the position of any party or participant presenting such offer or participating in such discussion.

4. The provisions of this Partial Settlement Agreement are not severable, and this Partial Settlement Agreement is conditioned on its approval in full by the Commission. If the Commission does not approve this Partial Settlement Agreement in its entirety, without change or condition, or if the Commission makes any findings that go beyond the scope of this Partial Settlement Agreement, and any of the Parties are unable to agree with such changes, conditions or findings, such party shall notify the Commission and the other Parties and Staff within seven days of the issuance of the Commission's order. Upon such notification, this Partial Settlement Agreement shall be deemed withdrawn and shall not constitute part of the record in this or any proceeding or be used for any purpose.

IN WITNESS WHEREOF we have placed our hands

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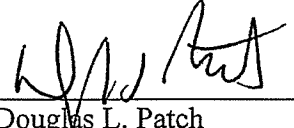
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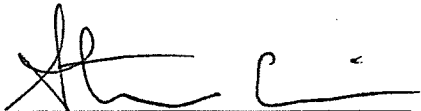
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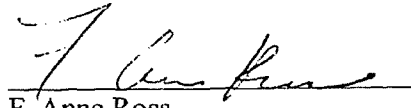
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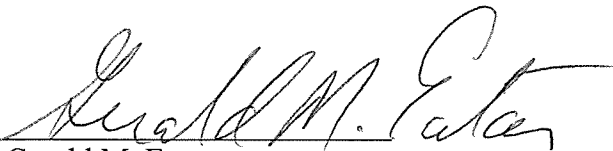
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