



**Public Service
of New Hampshire**

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N.H.P.U.C. Case No. DE 09-035
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Witness Panel 1
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The Northeast Utilities System

Robert A. Bersak
Assistant Secretary and
Assistant General Counsel

April 30, 2010

Ms. Debra A. Howland
Executive Director and Secretary
New Hampshire Public Utilities Commission
21 Fruit Street, Suite 10
Concord, New Hampshire 03301

Re: *Docket No. DE 09-035*
PSNH Distribution Service Rate Case
Settlement Agreement on Permanent Distribution Service Rates

Dear Secretary Howland:

Enclosed please find an original and six copies of a "Settlement Agreement on Permanent Distribution Service Rates" entered into today by and among Public Service Company of New Hampshire ("PSNH"), the Staff of the New Hampshire Public Utilities Commission ("Staff"), and the Office of Consumer Advocate ("OCA") (collectively, the "Settling Parties"). This Settlement will be presented at the hearing scheduled for May 10, 2010.

Copies of this Settlement will be provided to the parties on the Service List for this proceeding.

Sincerely,

Robert A. Bersak
Assistant Secretary and
Assistant General Counsel

cc: Service List

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

Public Service Company of New Hampshire
Distribution Service Rate Case
Docket No. DE 09-035

**SETTLEMENT AGREEMENT ON
PERMANENT DISTRIBUTION SERVICE RATES**

This Settlement Agreement On Permanent Distribution Service Rates (“Settlement Agreement”) is entered into this 30th day of April, 2010, by and among Public Service Company of New Hampshire (“PSNH”), the Staff of the New Hampshire Public Utilities Commission (“Staff”), and the Office of Consumer Advocate (“OCA”) (collectively, the “Settling Parties”), and is intended to resolve all of the issues in PSNH’s Distribution Service rate case, Docket No. DE 09-035. This Settlement Agreement contains the recommendations of the Settling Parties with respect to the New Hampshire Public Utilities Commission’s approval of PSNH’s permanent distribution service rate levels and specific rate design modifications.

SECTION 1. INTRODUCTION AND PROCEDURAL HISTORY

1.1 On April 17, 2009, PSNH filed a petition and testimony supporting a request for temporary rates pursuant to RSA 378:27. The petition requested an order approving an increase in annual distribution revenues of \$36.4 million, to become effective as temporary rates on July 1, 2009. The original Order of Notice was subsequently reissued and published calling for a prehearing conference on June 10, 2009 and a hearing on temporary rates on July 13, 2009. At the prehearing conference on June 10, Unitil Energy Systems, Inc.’s petition for intervention was granted, subject to its request for only a limited level of participation. OCA was made a statutory party. Discovery requests were answered by PSNH, and the Settling Parties met in technical sessions on the temporary rate request on May 13 and June 10, 2009. Settlement conferences on the temporary rate request were held at the Commission’s headquarters on June 25, 2009 and July 2, 2009, which resulted in PSNH and Staff reaching agreement on temporary rate issues. At the hearing on July 13, 2009, a Stipulation and Settlement Agreement Regarding Temporary Rates was presented asking for Commission approval of a temporary annual rate increase of \$25,611,000, calculated by adjusting all of PSNH’s current distribution rates and charges by a uniform percentage, as computed in the temporary rate Stipulation and Settlement Agreement. The OCA did not oppose the settlement. On July 31, 2009, the Commission issued Order No. 24,997 approving the Stipulation and Settlement on Temporary Rates. PSNH’s annual Delivery Service rates were adjusted on a temporary basis effective August 1, 2009, by \$25,611,000, including the commencement of recovery of \$6,000,000 per year attributable to the December 2008 ice storm.

1.2 On May 29, 2009, pursuant to N.H. Code of Admin. Rules Puc §1604.05, PSNH filed a Notice of Intent to File Rate Schedules and Petition for Permanent Delivery Rates.

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1.3 On June 30, 2009, pursuant to RSA 378:3, RSA 378:28 and N.H. Code Admin. Rule Puc §§1600 *et seq.*, PSNH filed testimony, supporting data, tariff filing requirements and Electric Delivery Service Tariff NHPUC No. 7 (“Tariff No. 7”). The filing requested approval of: (1) a permanent annual base rate increase to its Delivery Service rates of \$51,000,000 effective August 1, 2009, including the temporary rate increase request; (2) a step increase of \$17,000,000 annually effective July 1, 2010; (3) continuation of the Reliability Enhancement Program established in Order No. 24,750 and expansion by an annual amount of \$4,000,000; (4) a proposal to recover approximately \$60,000,000 of expenses incurred in restoring power as a result of the December 2008 ice storm; (5) certain changes to its rate design, including a higher proportional increase to its customer and demand charges; and (6) other changes to select tariff components. On July 30, 2009, the Commission issued Order No. 24,994 suspending Tariff No. 7 pursuant to RSA 378:6, I (a) pending investigation and scheduling a prehearing conference for August 12, 2009.

1.4 A prehearing conference was held on August 12, 2009 at which the intervention requests of the Business and Industry Association (“BIA”), Retail Merchants Association (“RMA”) and the Conservation Law Foundation (“CLF”) were granted. The parties and Staff met following the prehearing conference and recommended a procedural schedule for the Commission’s consideration. On August 17, 2009, the Commission approved the procedural schedule recommended by the parties and Staff. On August 26, 2009, the Commission reaffirmed its grant of the intervention requests of BIA, RMA and CLF, and denied PSNH’s motion to limit CLF’s intervention.

1.5 The Audit Staff of the Commission conducted an investigation and audit of PSNH concerning test year information supplied with PSNH’s request for a permanent rate increase. The audit also reviewed the expenses related to the December 2008 ice storm restoration efforts. PSNH responded to several sets of data requests from the Audit Staff. The results of the Audit Staff’s review are included in a Final Audit Report dated December 2, 2009. Certain recommendations of the Audit Staff were accepted by PSNH as reflected in a filing of updated pro forma adjustments made on December 15, 2009.

1.6 On December 15, 2009, PSNH filed an updated calculation of its revenue requirements. This update reduced the original proposed revenue increase by \$358,000.

1.7 The City of Manchester filed a Petition to Intervene on February 19, 2010, and was granted intervention status by the Commission on February 26, 2010.

1.8 The Staff, OCA, and CLF issued numerous discovery requests to which PSNH responded. The Settling Parties met in technical sessions on November 18 and 19, and December 16, 2009. On January 15, 2010, the pre-filed written testimony of Staff witnesses Steven E. Mullen, Assistant Director - Electric Division; Pradip K. Chattopadhyay, Regional Energy Analyst; George R. McCluskey, Utility Analyst; and James J. Cunningham, Utility Analyst, was filed. On the same date, testimony was also filed by OCA witnesses Stephen R. Eckberg, Utility Analyst and Kenneth E. Traum, Assistant Consumer Advocate. Discovery was

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conducted on the Staff and OCA testimony. Settlement discussions between the Settling Parties took place on multiple dates between February and April, which ultimately led to this Settlement Agreement. No other intervenors participated in the settlement discussions.

SECTION 2. RATE CHANGES

2.1 This Settlement Agreement provides for a series of changes to PSNH's permanent distribution rate level. The first such change will occur on July 1, 2010. It will include a permanent increase in PSNH's distribution rates related to a distribution revenue deficiency along with a step increase for additional cost recovery commencing as of that date. That rate adjustment will be followed by three additional annual step changes on July 1, 2011, July 1, 2012, and July 1, 2013. Except as provided for specifically under this Settlement Agreement, there will be no other permanent distribution rate level changes for the five-year period (the term of this Settlement Agreement) that begins July 1, 2010.

2.2 While the Settling Parties were unable to agree on every individual component included in the overall distribution rate level, they were able to agree on an overall distribution rate level and rate design. Specifically, the Settling Parties have agreed that PSNH's distribution rate level will be adjusted by the following amounts on each of the dates specified below:

| <u>Date</u> | <u>Annual Change to Rate Level</u> (millions) |
|-------------------|--|
| July 1, 2010 | \$45.5 |
| <u>Projected:</u> | |
| July 1, 2011 | \$(2.9) |
| July 1, 2012 | \$ 9.5 |
| July 1, 2013 | \$11.1 |

These annual changes are described in more detail in Paragraphs 2.3, 2.4, 2.5 and 2.6 below.

2.3 The July 1, 2010 rate change is net of the temporary rate change in effect since August 1, 2009, as authorized by the Commission in Order No. 24,997 dated July 31, 2009 in this docket. A calculation of this increase is shown below:

| | <u>(millions)</u> |
|---|-------------------|
| Permanent Rates deficiency | \$40.6 |
| Plus: Settlement adjustment not subject to recoupment | 4.6 |
| Step Increase | 12.2 ¹ |
| Recoupment ² | 13.7 |
| Less: Temporary rate relief | <u>(25.6)</u> |
| Net rate increase, July 1, 2010 | <u>\$45.5</u> |

¹ \$4.0 million for REP, \$1.8 million increase in Major Storm Cost Reserve, \$4.1 million for 2009 rate base additions, and \$2.3 million for net plant additions made in the first quarter of 2010.

² "Recoupment" refers to the reconciliation of the difference between temporary and permanent rates.

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2.4 The projected July 1, 2011 rate change is the net of the recoupment of the difference between the permanent rate level and the temporary rate level, which will end on June 30, 2011, plus a step increase for the Reliability Enhancement Program (REP), plus a step increase for 80% of changes in non-REP net plant for the period April 1, 2010 to March 31, 2011. A calculation of this rate decrease is shown below:

| | <u>(\$millions)</u> |
|---|---------------------|
| REP Step Increase | \$1.5 |
| Step Increase for 80% of changes to non-REP net plant | 9.3 |
| Less: Recoupment | <u>(13.7)</u> |
| Net rate adjustment, July 1, 2011 | <u>\$(2.9)</u> |

2.5 The projected July 1, 2012 rate increase of \$9.5 million is a step increase to recover 80% of changes to non-REP net plant for the period April 1, 2011 to March 31, 2012.

2.6 The projected July 1, 2013 rate increase of \$11.1 million is a combination of a \$9.5 million step increase attributable to 80% of changes to non-REP net plant for the period April 1, 2012 to March 31, 2013, plus a \$1.6 million REP step increase.

SECTION 3. COST OF CAPITAL AND CAPITAL STRUCTURE

3.1 In determining the annual changes to distribution rate levels, the Settling Parties utilized an overall capital structure as set forth below, including a 9.67% return on equity:

| | <u>Component Percentage</u> | <u>Cost</u> | <u>Weighted Cost</u> |
|-----------------|---------------------------------|-------------|--------------------------|
| Common Equity | 52.40% | 9.670% | 5.067% |
| Long Term Debt | 45.73% | 5.263% | 2.407% |
| Short Term Debt | <u>1.87%</u> | 2.100% | <u>0.039%</u> |
| Total | <u>100.00%</u> | | <u>7.513%</u> |

3.2 Except as otherwise specified herein, return on any deferred assets or liabilities arising during the term of this agreement will be calculated utilizing the weighted cost of capital specified above.

SECTION 4. EARNINGS SHARING AGREEMENT

4.1 During the term of this Settlement Agreement, an earnings sharing agreement including the use of a return on equity (ROE) collar will be in effect. The ROE collar will limit PSNH's ability to propose changes to its permanent distribution rate level, and will result in the sharing of earnings if PSNH's earned ROE for distribution is greater than a specified level. On a quarterly basis, beginning with the quarter ended June 30, 2011, PSNH will report to the Commission and Settling Parties its actual 12-month rolling average ROE on its distribution rate base. Those reports will be due within 45 days after the end of the quarter and will be subject to review by Staff and the OCA. The Settling Parties will meet to discuss any issues that may arise during their review of PSNH's report. A Settling Party may seek relief from the Commission if, after the review, it disputes PSNH's calculation of the 12-month rolling average ROE.

4.2 The initial period for the twelve-month earnings calculations described in Paragraph 4.1 is the period July 1, 2010 through June 30, 2011. PSNH shall use the F-1 Form (filed quarterly with the Commission) as the basis for its calculation of the 12-month rolling average.

4.3 Unless PSNH's 12-month rolling average ROE for distribution is less than seven percent for two consecutive quarters, PSNH will not be allowed to propose a change to its permanent distribution rates for effect prior to July 1, 2015, except as otherwise provided for under Section 4.4, Section 7.3, Section 12, or under RSA 374-G.

4.4 If PSNH's 12-month rolling average ROE for distribution is greater than ten percent, then revenues equaling seventy-five percent of such difference will be deferred and refunded to customers over a 12-month period. PSNH will calculate the amount of annual change to its distribution revenue that would be necessary to reduce its ROE to ten percent. PSNH's annual distribution revenue will then be reduced by seventy-five percent of that amount. Such reduction to PSNH's distribution revenues will take place coincident with other adjustments to PSNH's rates, will remain in effect for one year and will be applied equi-proportionally to all customer classes.

4.5 During the term of this Settlement Agreement, PSNH will endeavor to maintain a capital structure that is similar, in terms of component percentages, to the capital structure in Section 3.1.

SECTION 5. STEP INCREASES AND REPORTING REQUIREMENTS

5.1 The rate changes specified under this Settlement Agreement include four distinct rate adjustments associated with 80% of non-REP changes to Net Plant and two rate adjustments associated with capital additions under the REP. The timing and amount of these increases are shown below:

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| | July 1, 2010 (\$ million) | July 1, 2011 (projected) (\$ million) | July 1, 2012 (projected) (\$ million) | July 1, 2013 (projected) (\$ million) |
|------------------------------------|------------------------------|---|---|---|
| REP Plant | | \$1.5 | | \$1.6 |
| 80% of non-REP plant | <u>\$2.3</u> | <u>\$9.3</u> | <u>\$9.5</u> | <u>\$9.5</u> |
| Total Plant-Related Adjustments | <u>\$2.3</u> | <u>\$10.8</u> | <u>\$9.5</u> | <u>\$11.1</u> |

The four scheduled adjustments are based on PSNH's forecasted increases to Net Distribution Utility Plant, as described in Paragraph 5.3, below. Net plant amounts used to calculate these step increases shall be provided in sufficient detail to allow for meaningful review. The Settling Parties will work cooperatively to develop a mutually agreeable reporting format.

5.2 By April 30 of the years 2011, 2012 and 2013, PSNH will file financial documentation showing the actual changes to Net Distribution Utility Plant between April 1 of the prior year and March 31 of the current year, as well as the Net Distribution Utility Plant balance as of March 31 for each year. The information filed by PSNH will be subject to review by the Staff and the OCA. Changes to Net Distribution Utility Plant reported annually by PSNH will exclude capital additions made under the REP. In its annual filings, PSNH will explain any material variations between actual increases to Net Distribution Utility Plant and the forecasted increases shown below.

5.3 PSNH shall calculate the actual change to non-REP Net Distribution Utility Plant balance for the step adjustments as follows:

5.3.1 For the 2011 step, PSNH will subtract the total Net Distribution Utility Plant balance as of March 31, 2010 from the total Net Distribution Plant balance as of March 31, 2011.

5.3.2 For the 2012 step, PSNH will subtract the total Net Distribution Utility Plant balance as of March 31, 2011 from the total Net Distribution Plant balance as of March 31, 2012.

5.3.3 For the 2013 step, PSNH will subtract the total Net Distribution Utility Plant balance as of March 31, 2012 from the total Net Distribution Utility Plant as of March 31, 2013.

5.4 The actual change to Net Distribution Utility Plant will then be compared to the following forecasted increases:³

5.4.1 For the 2011 step, if the actual change to Net Distribution Utility Plant (as calculated in Section 5.3.1) is equal to or greater than \$75 million, and the Staff and the

³ Amounts are derived from PSNH's five-year forecast dated February, 2010.

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OCA agree with PSNH's calculations and inputs to the calculations, then the step increase shall take effect on July 1, 2011, subject to approval by the Commission that the plant additions are prudent, used and useful and providing service to customers. If the actual change to Net Distribution Utility Plant is less than \$75 million, the step increase shall be calculated in the manner described in Section 5.5.

5.4.2 For the 2012 step, if the actual change to Net Distribution Utility Plant (as calculated in 5.3.2) is equal to or greater than \$74 million, and the Staff and the OCA agree with PSNH's calculations and inputs to the calculations, then the step increase shall take effect on July 1, 2012, subject to approval by the Commission that the plant additions are prudent, used and useful and providing service to customers. If the actual change to Net Distribution Utility Plant is less than \$74 million, the step shall be calculated in the manner described in Section 5.5.

5.4.3 For the 2013 step, if the actual change to Net Distribution Utility Plant (as calculated in 5.3.3) is equal to or greater than \$82 million, and the Staff and the OCA agree with PSNH's calculations and inputs to the calculations, then the step increase shall take effect on July 1, 2013, subject to approval by the Commission that the plant additions are prudent, used and useful and providing service to customers. If the actual change to Net Distribution Utility Plant is less than \$82 million, the step shall be calculated in the manner described in Section 5.5.

5.4.4 If the Staff or the OCA do not agree with PSNH's calculations or any input to the calculations, then they may request that the Commission hold a hearing to determine whether the step adjustment should take effect as scheduled, as calculated by PSNH.

5.5 If the actual change to Net Distribution Utility Plant is less than the amounts specified in Sections 5.4.1 (2011 step), 5.4.2 (2012 step), or 5.4.3 (2013), then the actual Net Distribution Utility Plant balance as of March 31 of the step year will be compared to the forecasted amounts for March 31 of the step year, as listed below:

| <u>Step Year</u> | <u>Forecasted Net Distribution Utility Plant Balance as of 3/31</u> |
|------------------|---|
| 2011 | \$997 million |
| 2012 | \$1,073 million |
| 2013 | \$1,149 million |

5.5.1 If the actual Net Distribution Utility Plant balance as of March 31 is greater than or equal to the amounts shown in Section 5.5, and the Staff and OCA agree with PSNH's calculations and inputs to the calculations, then the step increase shall take effect as planned, subject to approval by the Commission that the plant additions are prudent, used and useful and providing service to customers.

5.5.2 If the actual Net Distribution Utility Plant balance as of March 31 is less than the amount shown above, the step increase will be adjusted downward and shall take effect as planned, subject to review of the Staff and the OCA and approval by the Commission. The amount of downward adjustment to the step increase will be determined by calculating the revenue requirement associated with the difference between the forecasted and actual Net Distribution Utility Plant balance as of March 31. That revenue requirement will be determined using the cost of capital and capital structure contained in Section 3, and the same methodology used to calculate the step increases shown in Attachment 1.

5.5.3 If the Staff or the OCA do not agree with PSNH's calculations or any input to the calculations, then they may request that the Commission hold a hearing to determine whether the step increase should take effect as scheduled, as calculated by PSNH.

SECTION 6. RELIABILITY ENHANCEMENT PROGRAM

6.1 The Settling Parties agree that PSNH should continue its existing REP. The capital invested in the REP through December 31, 2009 has been included in PSNH's rate base amount used to determine the rate increases specified in Section 2. PSNH will continue to spend \$8.2 million annually in operation and maintenance expense for the existing REP expense programs during the term of this Settlement Agreement.

6.2 In addition to the REP amounts discussed above, the rate increases specified in Section 2 also include \$4 million in annual revenue for additional REP spending, referred to as "REP II." Under REP II, as described in PSNH witness Johnson's testimony, PSNH will invest approximately \$12.8 million per year in new reliability-related capital projects, and will also spend approximately \$2.4 million per year in reliability-related operation and maintenance expense through June 30, 2012, and approximately \$0.8 million per year in reliability-related operation and maintenance expense from July 1, 2012 through June 30, 2014. As shown in Section 2, the July 1, 2011 and July 1, 2013 step increases include revenue requirements associated with REP II capital. The \$4 million of annual revenue will continue through the term of this agreement to recover the revenue requirements associated with REP capital additions and provide operation and maintenance spending, as available.

6.3 On or about April 1 of each year, PSNH will provide an annual report to the Commission, Staff and OCA showing actual REP activities and costs for the previous calendar year and its planned activities and costs for the current calendar year, consistent with the process established previously for REP I. Actual and planned REP costs shown in the report will include the revenue requirements associated with the actual and planned capital additions under REP II and with expenses under both the original REP and REP II.

6.4 Upon approval of the Settlement Agreement, PSNH will initiate and complete a High Level Design for the GIS project by July 1, 2011. The High Level Design will include project management details sufficient to establish milestones, base schedules, budget expenditures, and the vendor selection. PSNH commits to install and have operational those

elements identified in accordance with the schedule established in the High Level Design by December 31, 2014. On a semi-annual calendar year basis commencing on July 1, 2011, PSNH will provide a progress report to the Settling Parties detailing project milestones and achievements for the prior 6-month project period. Additionally, the semi-annual reports shall include key project dates for the remainder of the project, comparison of capital and O&M expenditures to planned REP II budget amounts and a detailed definition of tasks for the upcoming 6-month and 12-month periods. The High Level Design will also incorporate design of a GIS-based Outage Management System (OMS), including an implementation schedule. Prior to the implementation of a GIS-based OMS, PSNH will continue to implement enhancements to its existing OMS that will provide improved outage restoration information to customers, state officials and the general public.

SECTION 7. STORM RESERVE ACCRUAL AND RECOVERY OF CERTAIN OTHER STORM RESTORATION COSTS

7.1 The rate levels resulting from the rate adjustments specified in Section 2 include an annual accrual of \$3.5 million effective July 1, 2010 for the Major Storm Cost Reserve.

7.2 The \$43.845 million cost of the December 2008 ice storm projected to be remaining on PSNH's books as of June 30, 2010 will be amortized on a straight-line basis and recovered over a period of seven years. Any unamortized balance will accrue carrying charges at an annual rate of 4.5%.

7.3 None of the costs of the February 2010 wind storm are included in the rate increases specified in Sections 2.3 through 2.6. The Settling Parties will meet once the final costs of that recent storm are known to review the costs and will work cooperatively to determine an appropriate method for recovery of the prudently incurred costs, and to review and assess the appropriate funding level going forward for the Major Storm Cost Reserve. The Settling Parties may recommend a modification to one or more of the rate changes specified in Sections 2.4 through 2.6 in order to provide for recovery of the cost of the February 2010 wind storm and/or for a revision to the funding level of the Major Storm Cost Reserve.

SECTION 8. UNCOLLECTIBLE EXPENSE

8.1 The Settling Parties agree that the amount of uncollectible expense included in the rate adjustments will be set at the amount actually experienced by PSNH during 2009, unless changed as described below. The Settling Parties will use a competitive bidding process and a simple ranked voting method to select an independent consultant. The selected independent consultant shall review and analyze the recent trends in PSNH's uncollectible expense, the underlying reasons for the increased level of expense that has occurred, PSNH's collection practices, the Commission's rules and practices regarding credit and collection activities, and PSNH's deposit and credit policy for large customers, as well as to develop recommendations for dealing with uncollectible expense going forward. The study will also include an analysis of the impact of SB 300 (shifting System Benefits Charge revenue from energy efficiency to low-

income assistance) on uncollectible expense. The total cost of the study shall not exceed \$100,000, and PSNH shall be allowed to defer and recover the cost of the study over a 12-month period by including such cost in one of the step adjustments described in Sections 2.4 through 2.6. Although the recommendations of the consultant shall not be binding, the Settling Parties will work cooperatively to determine a course of action in accordance with good utility practice for addressing uncollectible expense. Any potential adjustment to the level of uncollectible expense arising from that review will take place coincident with one of the step adjustments described in Sections 2.4 through 2.6.

SECTION 9. DEPRECIATION EXPENSE AND PLANT RETIREMENTS

9.1 Depreciation expense included in the rate increases specified in Section 2 was calculated using Commission-approved whole-life depreciation rates, with the reserve imbalance amortized in accordance with Staff witness Cunningham's testimony. During the term of this agreement, PSNH will continue to record depreciation expense using the whole-life depreciation rates as contained in Staff witness Cunningham's testimony.

9.2 PSNH will prepare a new depreciation study as part of its next distribution rate proceeding.

9.3 PSNH agrees to continue to be vigilant in its timely recording of retirements of plant assets and in its accuracy in accounting for cost of removal related to retired plant. (See Staff witness Mullen's testimony at page 24 and Staff witness Cunningham's testimony at pages 9-10.)

SECTION 10. RATE DESIGN

10.1 The Settling Parties agree to phase in changes to the revenue requirement for Primary General Delivery Service Rate GV (Rate GV) in three increments such that the Rate GV rate of return (ROR) is within 1.5% points of the system average ROR⁴ by the third increment. Specifically, the Settling Parties agree that the phase-in will be implemented in the following manner:

10.1.1 Coincident with the 2010 step adjustment, one-third of the difference between the ROR for Rate GV and the system average ROR plus 1.5% will be re-allocated and recovered equi-proportionally from the other classes;

10.1.2 Coincident with the 2011 step adjustment, an amount equal to two-thirds of the difference between the ROR for Rate GV and the system average ROR plus 1.5% will be re-allocated and recovered equi-proportionally from the other classes; and

⁴ Calculated based on the methodology employed in PSNH Response to Staff 5-11.

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10.1.3 Coincident with the 2012 step adjustment, an amount equal to the difference between the ROR for Rate GV and the system average ROR plus 1.5% will be re-allocated and recovered equi-proportionally from the other classes.

10.2 The resulting class revenue requirement targets are presented in Attachment 2. The rates and charges contained in Attachment 3 are designed to recover the class revenue requirement targets in Attachment 2, including the proposed step adjustments provided for in Section 5. Rates for residential customers (Rate R) will be based upon the same percentage change for the customer charge and the usage rate.

10.3 The rates will become effective on the dates specified unless the proposed step increases are changed pursuant to the provisions of Sections 4, 5 or 12 of this Settlement Agreement. In that event, the rates and charges in Attachment 3 will be proportionally adjusted based on the amount of change to overall distribution rate level calculated pursuant to Sections 4, 5 or 12.

10.4 PSNH will monitor the effects of the rate design contained in Attachment 3 and will report to the Settling Parties if that rate design exacerbates rate continuity issues with respect to the transition between Primary General Delivery Service Rate GV and Large General Delivery Service Rate LG. Such issues include an abrupt change in bill amount for a customer whose billing demand is at or near the demarcation point between the two rate classes and who is required to receive service under a different rate class as a result of a change to the customer's monthly billing demand. If such issues arise, the Settling Parties agree to work cooperatively to determine a revised rate design for the GV and/or LG rate classes to address rate continuity issues.

SECTION 11. OTHER TARIFF CHANGES

11.1 The Settling Parties recommend that the Commission approve PSNH's proposed midnight outdoor lighting service option.

11.2 The Settling Parties recommend that the Commission approve PSNH's proposal to add language to the Apparatus section of Primary General Delivery Service Rate GV and Large General Delivery Service Rate LG to indicate that PSNH is not required to rent pole-mounted apparatus to customers. PSNH agrees to revise the language of that section as suggested in the testimony of Staff witness McCluskey. The revised language is included as Attachment 4 hereto.

11.3 The Settling Parties recommend that the Commission approve PSNH's proposal to remove the option available to government and civic groups to pay over time for excess costs associated with new installations, extensions or replacements under Outdoor Lighting Delivery Service Rate OL.

11.4 The Settling Parties were unable to agree on PSNH's proposed revision to add language to the Meters section of the Terms and Conditions for Delivery Service section of

PSNH's Tariff to clarify that master metering of new or renovated residential buildings was prohibited. The Staff maintains that the Commission rules require master metering except in a limited number of circumstances. PSNH's position is that master metering is inconsistent with the International Energy Conservation Code 2000 adopted by statute and the Commission's rules. In order to resolve this disagreement, PSNH will file a request for interpretation of the existing rule, and, if necessary, a waiver from that portion of the Commission's rules that the Staff believes requires master metering.

11.5 Due to the growing interest in light emitting diode (LED) lighting technology, PSNH agrees to monitor developments with the technology and the applicable rating standards. Nothing in this agreement shall prohibit PSNH or another party from proposing the implementation of tariff pages applicable to LED outdoor lighting.

SECTION 12. EXOGENOUS EVENTS

12.1 During the term of this Settlement Agreement, PSNH will be allowed to adjust distribution rates upward or downward resulting from Exogenous Events, as defined below.

12.2 For any of the events defined as a State Initiated Cost Change, Federally Initiated Cost Change, Regulatory Cost Reassignment, or Externally Imposed Accounting Rule Change, during the term of this Settlement Agreement, PSNH will be allowed to adjust distribution rates upward or downward (to the extent that the revenue impact of such event is not otherwise captured through another rate mechanism that has been approved by the Commission) if the total distribution revenue impact (positive or negative) of all such events exceeds \$1,000,000 (Exogenous Events Rate Adjustment Threshold) in any calendar year beginning with 2010.

12.2.1 "State Initiated Cost Change" shall mean:

(i) any externally imposed changes in state or local law or regulatory mandates or changes in other precedents governing income, revenue, sales, franchise, or property or any new or amended regional, state or locally imposed fees (but excluding the effects of routine annual changes in municipal, county and state property tax rates and revaluations), which impose new obligations, duties or undertakings, or remove existing obligations, duties or undertakings, and which individually decrease or increase PSNH's distribution costs, revenue, or revenue requirement.

12.2.2 "Federally Initiated Cost Change" shall mean:

(i) any externally imposed changes in the federal tax rates, laws, regulations, or precedents governing income, revenue, or sales taxes or any changes in federally imposed fees, which impose new obligations, duties or undertakings, or remove existing obligations, duties or undertakings, and which individually decrease or increase PSNH's distribution costs, revenue, or revenue requirement.

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12.2.3 Regulatory Cost Reassignment: The distribution rate changes shown in Section 2 are based on the separation of costs among generation, transmission, and distribution functions of PSNH in place on the date of this Settlement Agreement. "Regulatory Cost Reassignment" shall mean the reassignment of costs and/or revenues now included in the generation, transmission, or distribution functions to or away from the distribution function by the Commission, FERC, NEPOOL, the ISO or any other official agency having authority over such matters.

12.2.4 "Externally Imposed Accounting Rule Change" shall be deemed to have occurred if the Financial Accounting Standards Board or the Securities and Exchange Commission adopts a rule that requires utilities to use a new accounting rule that is not being utilized by PSNH as of January 1, 2010.

12.3 Excessive Inflation: If the average rate of inflation from January 1, 2011 through December 31, 2013, measured by annual changes in the "Gross Domestic Product Implicit Price Deflator," exceeds 4%, or if the average annual rate of inflation from January 1, 2011 through December 31, 2014 exceeds 4%, PSNH will be allowed, pursuant to the procedure described below, to increase its distribution revenues effective July 1, 2014 and/or July 1, 2015, respectively. The amount of increase to distribution revenue shall be equal to the amount by which such average inflation rate exceeds 4% multiplied by actual O&M expense in calendar year 2012 and/or 2013, respectively, excluding O&M expenses under PSNH's REP.

12.4 No later than March 31 of each year during the term of this Settlement Agreement, PSNH shall file with the Commission, Staff and OCA a Certification of Exogenous Events for the prior calendar year. If, in the prior calendar year, PSNH incurs any changes in distribution costs, revenue, or revenue requirement in excess of the Exogenous Events Rate Adjustment Threshold in connection with any Exogenous Event as defined in Paragraph 12.2, PSNH shall provide specific and sufficient detail supporting each change and the Exogenous Event(s) associated with each change for the Commission, Staff and OCA to assess the proposed Exogenous Event rate adjustment. If no Exogenous Events causing changes in excess of the Exogenous Events Rate Adjustment Threshold occurred during the prior calendar year, PSNH shall certify that fact in its annual Certification of Exogenous Events. On or before May 1 of each year during the term of this Settlement Agreement, the Staff and the OCA may make a filing requesting an Exogenous Event rate decrease or contesting an Exogenous Event rate increase proposed by PSNH. Any adjustments to revenue requirements for Exogenous Events: (1) shall be subject to review and approval as deemed necessary by the Commission; (2) shall be implemented for usage on and after July 1 of that year; and (3) shall be allocated among PSNH's rate classes on a proportional basis based on total distribution revenue by class in effect at the time of the adjustment. Any such filings are limited to one per calendar year, provided that any costs incurred or saved due to such Exogenous Events shall be deferred for consolidation in the single filing.

12.5 PSNH will not make any filing seeking an adjustment that increases the rates under this Section during any period in which the provisions of Section 4.4 have been triggered.

12.6 Any Exogenous Event adjustment made during the term of this Settlement Agreement will remain in rates only through the effective date of the new rates determined in the Commission's first distribution rate proceeding following the end of the term of this Settlement Agreement.

SECTION 13. TERM

13.1 This Settlement Agreement shall become effective upon Commission approval for the implementation of new permanent distribution rates on July 1, 2010 and terminate on June 30, 2015, unless terminated sooner under the provisions of Section 4 herein or by mutual agreement of the Settling Parties and approval by the Commission.

SECTION 14. MISCELLANEOUS PROVISIONS

14.1 PSNH shall account for and recover the costs associated with programs funded by the System Benefits Charge (SBC) (i.e., low-income electric assistance program, CORE energy efficiency programs) through the budgets related to these respective programs. Costs related to the SBC-funded programs shall not be recovered through distribution rates.

14.2 The rate base proposed in this proceeding includes the PSNH Energy Park solar photovoltaic installation in Manchester. The revenue requirements under this Settlement Agreement have been reduced to reflect the value of the energy and Renewable Energy Certificates produced by the solar array. The Settling Parties were unable to agree on the issue of whether PSNH was required to seek and obtain Commission approval of this investment prior to installation, or the issue of whether the investment in this project was prudent. Parties may raise these issues in the future. In the event that the costs associated with this project are disallowed by the Commission, PSNH may retain the value of the energy and Renewable Energy Certificates produced by the project.

14.3 PSNH will file both an embedded cost of service study and a marginal cost of service study with the filing of its next distribution rate case.

14.4 PSNH will annually file a report on executive compensation in the same format and with the same type of information as required in Connecticut for that state's regulated utilities. *See* CT DPUC Order in Docket 08-01-16, Petition of Richard Blumenthal, Attorney General for the State of Connecticut, for Standardized Disclosure of Utility Executive and Officers Compensation, dated December 3, 2008.

SECTION 15. GENERAL PROVISIONS

15.1 This Settlement Agreement is expressly conditioned upon the Commission's acceptance of all its provisions, without change or condition. If the Commission does not accept this Settlement Agreement in its entirety, without change or condition, or if the Commission makes any findings that go beyond the scope of this Settlement Agreement, and any of the Settling Parties is unable to agree with the changes, conditions or findings, this Settlement Agreement shall be deemed to be withdrawn and shall not constitute any part of the record in this proceeding and shall not be used for any other purpose.

15.2 Under this Settlement Agreement, the Settling Parties agree to this joint submission to the Commission as a resolution of the issues specified herein only.

15.3 The Settling Parties agree that the Commission's acceptance of this Settlement Agreement does not constitute continuing approval of, or precedent for, any particular issue in this proceeding other than those specified herein. Acceptance of this Settlement Agreement by the Commission shall not be deemed to restrain the Commission's exercise of its authority to promulgate future orders, regulations or rules that resolve similar matters affecting other parties in a different fashion.

15.4 This Settlement Agreement shall not be deemed an admission by any of the Settling Parties that any allegation or contention in this proceeding by any other party, other than those specifically agreed to herein, is true and valid. This Settlement Agreement shall not be construed to represent any concession by any Settling Party hereto regarding positions taken with respect to PSNH's permanent rate request in this docket, nor shall this Settlement Agreement be deemed to foreclose any Settling Party in the future from taking any position in any subsequent proceedings. The revenue requirement amounts associated with each of the rate adjustments detailed herein are liquidated amounts that reflect a compromise of all the issues in this proceeding.

15.5 The Settling Parties agree that all pre-filed testimony and supporting documentation should be admitted as full exhibits for the purpose of consideration of this Settlement Agreement, and be given whatever weight the Commission deems appropriate. Consent by the Settling Parties to admit all pre-filed testimony without challenge does not constitute agreement by any of the Settling Parties that the content of the pre-filed testimony is accurate or that the views of the witnesses should be assigned any particular weight by the Commission. In addition, the resolution of any specific issue in this Settlement Agreement does not indicate the Settling Parties' agreement to such resolution for purposes of any future proceedings.

15.6 The rights conferred and the obligations imposed on the Settling Parties by this Settlement Agreement shall be binding on or inure to the benefit of any successors in interest or assignees as if such successor or assignee was itself a signatory party. The Settling Parties agree to cooperate in advocating that this Settlement Agreement be approved by the Commission in its entirety and without modification.

DE 09-035 PSNH Distribution Rate Case
Settlement Agreement

15.7 This Settlement Agreement is the product of confidential settlement negotiations. The content of these negotiations, including any documents prepared during such negotiations for the purpose of reaching a settlement, shall be privileged and all offers of settlement shall be without prejudice to the position of any party presenting such offer.

15.8 This Settlement Agreement may be executed in multiple counterparts, which together shall constitute one agreement.

SECTION 16. CONCLUSION

16.1. The Parties affirm that the proposed Settlement Agreement will result in just and reasonable rates and should be approved.

STAFF OF THE NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

By: 

OFFICE OF THE CONSUMER ADVOCATE

By: 

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

By: 

Determination of Step Increases Due to Net Plant Additions
(\$ millions)

| | As filed 12/31/2009 | 2010 | 2011 | 2012 | 2013 |
|--|------------------------|---------|---------|---------|---------|
| Total Utility Plant in Service | 1,309 | 1,374 | 1,471 | 1,574 | 1,662 |
| Accum. Prov. For Depreciation | (420) | (399) | (420) | (441) | (469) |
| Net Utility Plant | 889 | 975 | 1,051 | 1,133 | 1,193 |
| Less: REP Capital Additions | | (11) | (13) | (13) | (13) |
| Net Plant w/o REP | 889 | 964 | 1,038 | 1,120 | 1,180 |
| Net Non-REP Plant Change (year over year) | | 75 | 74 | 82 | 60 |
| Net Plant @ 80% | | 60 | 59 | 66 | 48 |
| ROR per settlement (a) | | 0.07513 | 0.07513 | 0.07513 | 0.07513 |
| GRCF | | 1.6814 | 1.6814 | 1.6814 | 1.6814 |
| Return | | 7.6 | 7.5 | 8.3 | 6.1 |
| Depreciation @ 2.95% | | 1.8 | 1.7 | 1.9 | 1.4 |
| Total Revenue Requirement | | 9.3 | 9.2 | 10.2 | 7.5 |

Revenue Requirements related to step increases and net plant allowed for these step increases (b):

| Revenue Requirement | Rev. Req. Step 1 07/01/2010 | Net Plant Allowed | Rev. Req. Step 2 07/01/2011 | Net Plant Allowed | Rev. Req. Step 3 07/01/2012 | Net Plant Allowed | Rev. Req. Step 4 07/01/2013 | Net Plant Allowed |
|---|-----------------------------------|-------------------------|-----------------------------------|-------------------------|-----------------------------------|-------------------------|-----------------------------------|-------------------------|
| 1/1/10 - 3/31/10 | 2.3 | 18.8 | | | | | | |
| 4/1/10 - 12/31/10 | | | 7.0 | 56.3 | | | | |
| 1/1/11 - 3/31/11 | | | 2.3 | 18.5 | | | | |
| 4/30/11 - 12/31/11 | | | | | 6.9 | 55.5 | | |
| 1/1/12 - 3/31/12 | | | | | 2.6 | 20.5 | | |
| 4/1/12 - 12/31/12 | | | | | | | 7.7 | 61.5 |
| 1/1/13 - 3/31/13 | | | | | | | 1.9 | 15.0 |
| Revenue increase | 2.3 | | 9.3 | | 9.5 | | 9.5 | |
| 2009 Net plant (b) | | 889 | | | | | | |
| Add: \$14 million of new vehicle purchases (replace leases) | | 14 | | | | | | |
| Total net plant allowed for step 1 at 3/31/10 | | 922 | | | | | | |
| Step 1 net plant allowed | | | | 922 | | | | |
| Total net plant allowed for step 2 at 3/31/11 | | | | 997 | | | | |
| Step 2 net plant allowed | | | | | | 997 | | |
| Total net plant allowed for step 3 at 3/31/12 | | | | | | 1,073 | | |
| Step 3 net plant allowed | | | | | | | | 1,073 |
| Total net plant allowed for step 4 at 3/31/13 | | | | | | | | 1,149 |

(a) ROR includes 9.67% ROE and removal of ice storm-related debt

(b) Net plant allowed began with the 2009 projected net utility plant at 12/31/2009 of \$889 million which was used to determine the permanent rate increase. The revenue requirements reflected in the step increases then allowed 80% net plant additions, net of REP.

Allocation of Proposed Distribution Revenue to Rate Class
(\$000's)

| | <u>Current Aug. 2009</u> | <u>Reflecting Expired Special Pricing</u> | <u>July 2010 Excluding Recoupment</u> | <u>July 2010 Including Recoupment</u> | <u>Reflecting Expired Special Pricing</u> | <u>July 2011</u> | <u>July 2012</u> | <u>July 2013</u> |
|---|------------------------------|---|---|---|---|------------------|------------------|------------------|
| Revenue targets | \$ 264,938 | | \$ 296,701 | \$ 310,397 | | \$ 307,501 | \$ 317,001 | \$ 328,101 |
| Equal percentage allocation to each class: | | | | | | | | |
| Residential Rates R, R-OTOD | \$ 147,799 | \$ 147,799 | \$ 165,593 | \$ 173,237 | \$ 173,237 | \$ 171,677 | \$ 176,981 | \$ 183,178 |
| General Service Rates G, G-OTOD | 63,633 | 63,633 | 71,294 | 74,585 | 74,585 | 73,913 | 76,197 | 78,865 |
| Primary General Service Rate GV | 30,086 | 30,086 | 33,708 | 35,264 | 35,264 | 34,947 | 36,026 | 37,288 |
| GV Rate B | 133 | 133 | 149 | 155 | 155 | 154 | 159 | 164 |
| Large General Service Rate LG | 14,042 | 14,194 | 15,903 | 16,638 | 16,728 | 16,577 | 17,089 | 17,687 |
| LG Rate B | 1,170 | 1,170 | 1,311 | 1,371 | 1,371 | 1,359 | 1,401 | 1,450 |
| Outdoor Lighting Rate OL | 4,207 | 4,207 | 4,713 | 4,931 | 4,931 | 4,886 | 5,037 | 5,214 |
| Outdoor Lighting Rate EOL | 3,433 | 3,433 | 3,846 | 4,024 | 4,024 | 3,988 | 4,111 | 4,255 |
| Total Standard Tariff | \$ 264,502 | \$ 264,655 | \$ 296,518 | \$ 310,206 | \$ 310,296 | \$ 307,501 | \$ 317,001 | \$ 328,101 |
| Rate LG Special Pricing | 436 | 163 | 182 | 191 | - | - | - | - |
| Total Retail | \$ 264,938 | \$ 264,818 | \$ 296,701 | \$ 310,397 | \$ 310,296 | \$ 307,501 | \$ 317,001 | \$ 328,101 |

Proposed revenue targets to bring Rate GV rate of return within 1.5% of retail average, in three steps:

| | | | |
|---|------------|------------|------------|
| Residential Rates R, R-OTOD | \$ 166,020 | \$ 172,531 | \$ 178,262 |
| General Service Rates G, G-OTOD | 71,516 | 74,356 | 76,861 |
| Primary General Service Rate GV | 32,981 | 33,491 | 33,843 |
| Large General Service Rate LG (incl. special pricing) | 16,131 | 16,667 | 17,225 |
| Rate B (GV and LG) | 1,461 | 1,516 | 1,565 |
| Outdoor Lighting Rates OL and EOL | 8,592 | 8,939 | 9,246 |
| Total Retail | \$ 296,701 | \$ 307,501 | \$ 317,001 |

Proposed revenue targets with further breakdown for Rate B, outdoor lighting and special pricing classes

| | | | | | |
|---------------------------------|------------|------------|------------|------------|------------|
| Residential Rates R, R-OTOD | \$ 166,020 | \$ 173,684 | \$ 172,531 | \$ 178,262 | \$ 184,504 |
| General Service Rates G, G-OTOD | 71,516 | 74,817 | 74,356 | 76,861 | 79,552 |
| Primary General Service Rate GV | 32,981 | 34,503 | 33,491 | 33,843 | 35,028 |
| GV Rate B | 149 | 156 | 154 | 159 | 165 |
| Large General Service Rate LG | 15,949 | 16,685 | 16,667 | 17,225 | 17,828 |
| LG Rate B | 1,312 | 1,373 | 1,362 | 1,405 | 1,455 |
| Outdoor Lighting Rate OL | 4,731 | 4,950 | 4,922 | 5,091 | 5,269 |
| Outdoor Lighting Rate EOL | 3,861 | 4,039 | 4,017 | 4,155 | 4,300 |
| Total Standard Tariff | \$ 296,518 | \$ 310,206 | \$ 307,501 | \$ 317,001 | \$ 328,101 |
| Rate LG Special Pricing | 182 | 191 | - | - | - |
| Total Retail | \$ 296,701 | \$ 310,397 | \$ 307,501 | \$ 317,001 | \$ 328,101 |

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
SUMMARY OF CURRENT AND PROPOSED DISTRIBUTION RATES

| <u>Rate</u> | <u>Blocks</u> | <u>Current Rates Aug. 2009</u> | <u>Equal % July 2010 Incl Recoup.</u> | <u>Proposed Customer, Demand Charges (1)</u> | <u>1/2 of Difference Between Equal % and Proposed</u> | <u>Proposed July 2010 Incl Recoup.</u> | <u>Proposed July 2011</u> | <u>Proposed July 2012</u> | <u>Proposed July 2013</u> |
|---------------|------------------------------|------------------------------------|---|--|---|--|-------------------------------|-------------------------------|-------------------------------|
| R | Customer charge | \$ 9.87 | \$ 11.60 | | | \$ 11.60 | \$ 11.52 | \$ 11.90 | \$ 12.32 |
| | All KWH | \$ 0.03220 | \$ 0.03784 | | | \$ 0.03784 | \$ 0.03759 | \$ 0.03884 | \$ 0.04020 |
| Uncontrolled | | | | | | | | | |
| Water | Meter charge | \$ 3.48 | \$ 4.09 | | | \$ 4.09 | \$ 4.06 | \$ 4.19 | \$ 4.34 |
| Heating | All KWH | \$ 0.01578 | \$ 0.01854 | | | \$ 0.01854 | \$ 0.01842 | \$ 0.01903 | \$ 0.01970 |
| Controlled | | | | | | | | | |
| Water | Meter charge | \$ 6.13 | \$ 7.20 | | | \$ 7.20 | \$ 7.15 | \$ 7.39 | \$ 7.65 |
| Heating | All KWH | \$ 0.00094 | \$ 0.00110 | | | \$ 0.00110 | \$ 0.00109 | \$ 0.00113 | \$ 0.00117 |
| R-OTOD | Customer charge | \$ 22.92 | \$ 26.93 | | | \$ 26.93 | \$ 26.75 | \$ 27.64 | \$ 28.61 |
| | On-peak KWH | \$ 0.10291 | \$ 0.12093 | | | \$ 0.12093 | \$ 0.12012 | \$ 0.12411 | \$ 0.12847 |
| | Off-peak KWH | \$ 0.00150 | \$ 0.00176 | | | \$ 0.00176 | \$ 0.00175 | \$ 0.00181 | \$ 0.00187 |
| G | Single phase customer charge | \$ 11.12 | \$ 13.07 | \$ 13.50 | \$ 0.22 | \$ 13.29 | \$ 13.50 | \$ 13.96 | \$ 14.45 |
| | Three phase customer charge | \$ 22.24 | \$ 26.15 | \$ 27.00 | \$ 0.43 | \$ 26.58 | \$ 27.00 | \$ 27.91 | \$ 28.88 |
| | Load charge (over 5 KW) | \$ 6.73 | \$ 7.91 | \$ 7.91 | \$ - | \$ 7.91 | \$ 7.91 | \$ 8.18 | \$ 8.46 |
| | First 500 KWH | \$ 0.05568 | \$ 0.06547 | | | \$ 0.06495 | \$ 0.06339 | \$ 0.06553 | \$ 0.06781 |
| | Next 1,000 KWH | \$ 0.01380 | \$ 0.01623 | | | \$ 0.01610 | \$ 0.01571 | \$ 0.01624 | \$ 0.01680 |
| | All additional KWH | \$ 0.00488 | \$ 0.00574 | | | \$ 0.00569 | \$ 0.00555 | \$ 0.00574 | \$ 0.00594 |
| Space Heating | Meter charge | \$ 2.22 | \$ 2.61 | \$ 2.70 | \$ 0.05 | \$ 2.66 | \$ 2.70 | \$ 2.79 | \$ 2.89 |
| | All KWH | \$ 0.02730 | \$ 0.03210 | | | \$ 0.03185 | \$ 0.03108 | \$ 0.03213 | \$ 0.03325 |
| G-OTOD | Single phase customer charge | \$ 28.83 | \$ 33.90 | \$ 35.00 | \$ 0.55 | \$ 34.45 | \$ 35.00 | \$ 36.18 | \$ 37.44 |
| | Three phase customer charge | \$ 41.14 | \$ 48.37 | \$ 50.00 | \$ 0.82 | \$ 49.19 | \$ 50.00 | \$ 51.69 | \$ 53.49 |
| | Load charge | \$ 9.38 | \$ 11.03 | \$ 11.03 | \$ - | \$ 11.03 | \$ 11.03 | \$ 11.40 | \$ 11.80 |
| | On-peak KWH | \$ 0.03906 | \$ 0.04593 | | | \$ 0.04557 | \$ 0.04447 | \$ 0.04597 | \$ 0.04757 |
| | Off-peak KWH | \$ 0.00612 | \$ 0.00720 | | | \$ 0.00714 | \$ 0.00697 | \$ 0.00721 | \$ 0.00746 |
| LCS | Radio-controlled option | \$ 7.09 | \$ 8.33 | | | \$ 8.33 | \$ 8.27 | \$ 8.54 | \$ 8.84 |
| | 8, 10 or 11-hour option | \$ 6.13 | \$ 7.20 | | | \$ 7.20 | \$ 7.15 | \$ 7.39 | \$ 7.65 |
| | Switch option | \$ 7.09 | \$ 8.33 | | | \$ 8.33 | \$ 8.27 | \$ 8.54 | \$ 8.84 |
| | Radio-controlled option | \$ 0.00094 | \$ 0.00110 | | | \$ 0.00110 | \$ 0.00109 | \$ 0.00113 | \$ 0.00117 |
| | 8-hour option | \$ 0.00094 | \$ 0.00110 | | | \$ 0.00110 | \$ 0.00109 | \$ 0.00113 | \$ 0.00117 |
| | 10 or 11-hour option | \$ 0.01902 | \$ 0.02235 | | | \$ 0.02235 | \$ 0.02220 | \$ 0.02294 | \$ 0.02375 |

Notes:

- (1) Customer and demand charges are those shown in PSNH's June 30, 2009 filing in Attachment SRH-8, except where the equiproportional method produces a higher charge. Energy charges have been adjusted as necessary to produce the required revenue. Rate GV demand charges have been increased and partially flattened, and energy charges have been decreased and partially flattened in order to ease the transition to Rate LG.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
SUMMARY OF CURRENT AND PROPOSED DISTRIBUTION RATES

| <u>Rate</u> | <u>Blocks</u> | <u>Current Rates Aug. 2009</u> | <u>Equal % July 2010 Incl Recoup.</u> | <u>Proposed Customer, Demand Charges (1)</u> | <u>1/2 of Difference Between Equal % and Proposed</u> | <u>Proposed July 2010 Incl Recoup.</u> | <u>Proposed July 2011</u> | <u>Proposed July 2012</u> | <u>Proposed July 2013</u> |
|-------------|-----------------------------|--|---|--|---|---|-------------------------------|-------------------------------|-------------------------------|
| GV | Customer charge | \$ 149.74 | \$ 171.72 | \$ 180.00 | \$ 4.14 | \$ 175.86 | \$ 180.00 | \$ 181.90 | \$ 188.34 |
| | First 100 KW | \$ 4.14 | \$ 4.75 | | | \$ 5.18 | \$ 5.18 | \$ 5.23 | \$ 5.42 |
| | All additional KW | \$ 3.81 | \$ 4.37 | | | \$ 4.95 | \$ 4.95 | \$ 5.00 | \$ 5.18 |
| | First 200,000 KWH | \$ 0.00674 | \$ 0.00773 | | | \$ 0.00629 | \$ 0.00562 | \$ 0.00568 | \$ 0.00588 |
| | All additional KWH | \$ 0.00559 | \$ 0.00641 | | | \$ 0.00528 | \$ 0.00472 | \$ 0.00477 | \$ 0.00494 |
| LG | Customer charge | \$ 455.10 | \$ 534.88 | \$ 550.00 | \$ 7.56 | \$ 542.44 | \$ 550.00 | \$ 568.40 | \$ 588.68 |
| | Demand charge | \$ 3.67 | \$ 4.31 | \$ 4.31 | \$ - | \$ 4.31 | \$ 4.31 | \$ 4.45 | \$ 4.61 |
| | On-peak KWH | \$ 0.00403 | \$ 0.00474 | | | \$ 0.00473 | \$ 0.00461 | \$ 0.00476 | \$ 0.00493 |
| | Off-peak KWH | \$ 0.00339 | \$ 0.00398 | | | \$ 0.00398 | \$ 0.00388 | \$ 0.00401 | \$ 0.00415 |
| B | Administrative charge | \$ 256.59 | \$ 301.57 | \$ 310.00 | \$ 4.22 | \$ 305.79 | \$ 310.00 | \$ 320.37 | \$ 331.80 |
| | Translation charge | \$ 42.75 | \$ 50.24 | \$ 52.00 | \$ 0.88 | \$ 51.12 | \$ 52.00 | \$ 53.74 | \$ 55.66 |
| | Demand charge (below 115kV) | \$ 3.45 | \$ 4.05 | \$ 4.06 | \$ 0.00 | \$ 4.06 | \$ 4.06 | \$ 4.20 | \$ 4.35 |
| | All KWH (below 115kV) | | | | | ----- Energy charges in the standard rate ----- | | | |

Notes:

- (1) Customer and demand charges are those shown in PSNH's June 30, 2009 filing in Attachment SRH-8, except where the equiproportional method produces a higher charge. Energy charges have been adjusted as necessary to produce the required revenue.
Rate GV demand charges have been increased and partially flattened, and energy charges have been decreased and partially flattened in order to ease the transition to Rate LG.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

SUMMARY OF CURRENT AND PROPOSED DISTRIBUTION RATES
Outdoor Lighting Service Rate OL

| | <u>Lumens</u> | <u>Watts</u> | <u>Current Rates Aug. 2009</u> | <u>Proposed July 2010 Incl Recoup.</u> | <u>Proposed July 2011</u> | <u>Proposed July 2012</u> | <u>Proposed July 2013</u> |
|--|---------------|--------------|--|--|-------------------------------|-------------------------------|-------------------------------|
| For new and existing installations | | | | | | | |
| High Pressure Sodium | 4,000 | 50 | \$ 12.27 | \$ 14.44 | \$ 14.36 | \$ 14.85 | \$ 15.37 |
| | 5,800 | 70 | 12.27 | 14.44 | 14.36 | 14.85 | 15.37 |
| | 9,500 | 100 | 16.31 | 19.19 | 19.08 | 19.73 | 20.42 |
| | 16,000 | 150 | 23.07 | 27.14 | 26.99 | 27.91 | 28.89 |
| | 30,000 | 250 | 23.64 | 27.81 | 27.66 | 28.61 | 29.61 |
| | 50,000 | 400 | 23.90 | 28.12 | 27.97 | 28.93 | 29.95 |
| | 130,000 | 1,000 | 38.37 | 45.14 | 44.89 | 46.43 | 48.06 |
| Metal Halide | 5,000 | 70 | 12.81 | 15.07 | 14.99 | 15.50 | 16.04 |
| | 8,000 | 100 | 17.51 | 20.60 | 20.49 | 21.19 | 21.93 |
| | 13,000 | 150 | 24.04 | 28.28 | 28.12 | 29.08 | 30.10 |
| | 13,500 | 175 | 24.55 | 28.88 | 28.72 | 29.70 | 30.74 |
| | 20,000 | 250 | 24.55 | 28.88 | 28.72 | 29.70 | 30.74 |
| | 36,000 | 400 | 24.77 | 29.14 | 28.98 | 29.97 | 31.02 |
| | 100,000 | 1,000 | 37.12 | 43.67 | 43.43 | 44.92 | 46.50 |
| For existing installations only | | | | | | | |
| Incandescent | 600 | 105 | 7.07 | 8.32 | 8.27 | 8.55 | 8.85 |
| | 1,000 | 105 | 7.89 | 9.28 | 9.23 | 9.55 | 9.89 |
| | 2,500 | 205 | 10.12 | 11.91 | 11.84 | 12.25 | 12.68 |
| | 6,000 | 448 | 17.37 | 20.44 | 20.33 | 21.03 | 21.77 |
| Mercury | 3,500 | 100 | 10.83 | 12.74 | 12.67 | 13.10 | 13.56 |
| | 7,000 | 175 | 13.01 | 15.31 | 15.23 | 15.75 | 16.30 |
| | 11,000 | 250 | 16.10 | 18.94 | 18.84 | 19.49 | 20.17 |
| | 15,000 | 400 | 18.42 | 21.67 | 21.55 | 22.29 | 23.07 |
| | 20,000 | 400 | 19.87 | 23.38 | 23.25 | 24.05 | 24.89 |
| | 56,000 | 1,000 | 31.58 | 37.16 | 36.96 | 38.23 | 39.57 |
| Fluorescent | 20,000 | 330 | 26.94 | 31.70 | 31.53 | 32.61 | 33.76 |
| High Pressure Sodium in existing mercury luminaires | | | | | | | |
| | 12,000 | 150 | 16.86 | 19.84 | 19.73 | 20.41 | 21.13 |
| | 34,200 | 360 | 21.58 | 25.39 | 25.25 | 26.12 | 27.04 |

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

SUMMARY OF CURRENT AND PROPOSED DISTRIBUTION RATES
Energy Efficient Outdoor Lighting Service Rate EOL

| | <u>Lumens</u> | <u>Watts</u> | <u>Current Rates Aug. 2009</u> | <u>Proposed July 2010 Incl Recoup.</u> | <u>Proposed July 2011</u> | <u>Proposed July 2012</u> | <u>Proposed July 2013</u> |
|----------------------|---------------|--------------|--|--|-------------------------------|-------------------------------|-------------------------------|
| High Pressure Sodium | 4,000 | 50 | \$ 6.53 | \$ 7.68 | \$ 7.64 | \$ 7.90 | \$ 8.18 |
| | 5,800 | 70 | 6.53 | 7.68 | 7.64 | 7.90 | 8.18 |
| | 9,500 | 100 | 8.02 | 9.44 | 9.39 | 9.71 | 10.05 |
| | 16,000 | 150 | 8.82 | 10.38 | 10.32 | 10.67 | 11.05 |
| | 30,000 | 250 | 8.82 | 10.38 | 10.32 | 10.67 | 11.05 |
| | 50,000 | 400 | 9.11 | 10.72 | 10.66 | 11.02 | 11.41 |
| | 130,000 | 1,000 | 17.28 | 20.33 | 20.22 | 20.91 | 21.65 |
| Metal Halide | 5,000 | 70 | 6.77 | 7.97 | 7.93 | 8.20 | 8.49 |
| | 8,000 | 100 | 8.96 | 10.54 | 10.48 | 10.84 | 11.22 |
| | 13,000 | 150 | 9.56 | 11.25 | 11.19 | 11.57 | 11.98 |
| | 13,500 | 175 | 10.08 | 11.86 | 11.80 | 12.20 | 12.63 |
| | 20,000 | 250 | 10.24 | 12.05 | 11.98 | 12.39 | 12.83 |
| | 36,000 | 400 | 10.53 | 12.39 | 12.32 | 12.74 | 13.19 |
| | 100,000 | 1,000 | 18.77 | 22.08 | 21.96 | 22.71 | 23.51 |

Revised Tariff Language for Rates GV and LG

APPARATUS

Substation foundations, structures, and all necessary controlling, regulating, transforming, and protective apparatus shall be furnished, owned, and maintained by the Customer at the Customer's expense. However, controlling, regulating, and transforming apparatus may be rented from the Company at a charge of eighteen percent (18.0%) per year of the equipment cost. The cost of installing such equipment shall be paid in full at the time service is initiated. In no event shall the Company be required to rent apparatus to the Customer the total cost of which shall exceed \$10,000. The Company may refuse to rent pole-mounted apparatus based on environmental and other immediate hazards that are present. In the event the Company refuses to rent a pole-mounted apparatus, the Company shall inform the Customer of the environmental and other immediate hazards that are present and shall provide the Customer with the opportunity to remove the hazards. In the event the environmental and the other immediate hazards are removed by the Customer, the Company shall agree to rent pole-mounted apparatus to the Customer. If a Customer-owned structure supporting a Company owned pole-mounted transformer is deemed insufficient or threatened by trees or other hazards, the Company shall inform the Customer of the hazards and shall provide the Customer with the opportunity to repair or remove the hazard. In the event the Customer refuses to repair or remove the hazard or does not repair or remove the hazard in a timely manner, the Company is authorized to terminate the existing rental agreement and to remove the transformer upon 90 days written notice to the Customer. When a Customer elects to rent apparatus from the Company, the Customer shall guarantee, in addition to any other guarantees, to continue to pay rental therefor for a period of not less than four (4) years. Should the Customer discontinue service before four (4) years shall have elapsed, the guaranteed rental then unpaid shall immediately become due and payable.