

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

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

Petition to Amend Rate EOL to Include Light Emitting Diode Technology

Docket No. DE 13-248

SETTLEMENT AGREEMENT

This Settlement Agreement concerning Public Service Company of New Hampshire's ("PSNH" or "Company") Petition to Amend Rate EOL to Include Light Emitting Diode Technology ("Settlement Agreement") is entered into this 16th day of June 2014, by and between PSNH and the City of Manchester ("City") (collectively, the "Settling Parties"), and is intended to resolve all outstanding issues in the above-captioned docket.

I. INTRODUCTION AND PROCEDURAL HISTORY

1.1. On August 8, 2013, PSNH filed a petition to amend its existing Rate EOL to include light emitting diode ("LED") technology. As noted in PSNH's petition, Rate EOL is an unmetered rate for street lighting service that is available to federal, state, county, municipal and other governmental entities. To qualify for the rate, customers must agree to convert all of their roadway and area lighting to either high pressure sodium ("HPS") or metal halide ("MH") and to pay PSNH the remaining unexpired life of all existing fixtures and brackets and the installed cost of new HPS or MH fixtures and brackets placed in service. Also, the tariff covering Rate EOL includes a fixed monthly distribution rate per fixture and the monthly kWh per light fixture assumed for billing purposes. Transmission, Stranded Cost Recovery, System Benefits, Electricity Consumption Tax and energy service charges are calculated by multiplying the monthly kWh per light fixture by the applicable charge. In the Settlement on PSNH's

distribution rates approved in Docket No. DE 09-035, PSNH agreed to monitor developments in LED technology for use in street lighting applications. As a result of the Company's review, PSNH determined that it would begin offering an LED option under Rate EOL. PSNH believes that offering an LED lighting service option is consistent with PSNH's commitments to assist customers in managing their cost of electricity, to support energy-efficient initiatives, and to support New Hampshire's clean energy goals.

1.2. On October 23, 2013, the New Hampshire Public Utilities Commission ("Commission") issued an order of notice setting a technical session for November 5, 2013 and a hearing on the merits for December 10, 2013. In the intervening period, Commission Staff and the Company engaged in discovery relating to PSNH's petition.

1.3. On December 4, 2013, the City filed a request to intervene in the docket noting that it was one of the largest, if not the largest, customer on PSNH's Rate EOL, and that it was interested in pursuing the use of LED street lighting. Among other things, the City requested that the docket be continued to allow for additional consideration of the issues relating to PSNH's petition.

1.4. At the December 10, 2013 hearing, the Commission granted the City's requests to intervene and to continue the docket. The Commission encouraged the City and the Company to work together to resolve the issues between them relative to PSNH's petition. Thereafter, the City and the Company engaged in extensive discussions leading to the instant Settlement Agreement.

II. TERMS OF SETTLEMENT

2.0 Definitions

"Bracket" means the point of attachment for a light fixture to an overhanging member that projects from a pole, including the arm/bar/overhanging member.

“Light fixture” means a complete lighting unit consisting of: a housing that contains lamps, bulbs, tubes or Light Emitting Diode (“LED”) technology, along with the socket and other parts that protect and hold the lamp or LED in place; wiring that connects the lamp or LED to a power source (ballast or LED driver); reflector that helps direct and distribute the light; lenses or louvers to shield the lamp or LED and redirect the light emitted; and a photoelectric control receptacle.

“Photoelectric Control” means a device that turns the lighting fixture on and off through use of daylight and that is compatible with American National Standards Institute (“ANSI”) standard (136.10).

“Service Drop” means a single phase wire extending from the light fixture power source to the single phase service lateral owned and maintained by PSNH.

2.1 Rate Design & Rate Treatment

2.1.1. The Settling Parties agree that PSNH shall modify the rate design for LEDs from that initially included in PSNH’s petition, and shall modify its Rate EOL tariff. In particular, PSNH has reduced the fixed monthly charge for LEDs from that initially proposed (from \$8.50 to \$3.30) and increased the per-watt charge (from \$0.0139 to \$0.0500), with the net result being a reduction in the overall LED rate. In addition, the new rate design incorporates a reduction attributable to the change in maintenance as described in Section 2.2.1. of this Settlement Agreement. The Settling Parties acknowledge that the amended rate design and tariff applies to PSNH’s LED rate proposal for all potential LED customers, and is not specific to the City. The Settling Parties agree that the City shall take service under the terms of the LED option for Rate EOL, except as may be specifically provided for in this Settlement Agreement.

2.1.2. The Settling Parties agree that in the context of any future distribution rate case that may be filed within 5 years of the date on which this Settlement Agreement is approved by the Commission, PSNH will hold any LED rate to a change no greater than the overall authorized distribution rate increase. For example, the Settling Parties understand that if overall distribution rates increase by 2 percent in PSNH’s next rate case, the LED rate would not

increase by any more than 2 percent. The Settling Parties acknowledge that similar limitations will not be in place for energy prices, or other rate elements such as stranded cost charges or transmission charges.

2.1.3. The Settling Parties agree that in PSNH's future rate cases, neither the City nor any other parties are precluded from advocating for LED rates different from those agreed to in this Settlement Agreement, including cost-based rates.

2.2. Street Lighting Installation and Maintenance

2.2.1. The Settling Parties agree that the City will, on a pilot basis, assume maintenance responsibility for all of its existing HPS and MH street light fixtures and associated brackets and photoelectric controls within the City. The pilot shall begin on the first day of the month following the date upon which all required approvals pertaining to this Settlement Agreement and the City's LED conversion project have been obtained, and shall continue for a period of five (5) years. Should any required approval not be obtained, the pilot will not take effect and the City shall not assume maintenance responsibility as described in this section. The Settling Parties believe that such a pilot will inform the City, the Company and the Commission about success or difficulties in allowing municipalities to perform street lighting maintenance. For clarity, the Settling Parties agree that for purposes of this pilot program, the City shall be solely responsible for maintenance of the existing MH and HPS light fixtures and associated brackets and photoelectric controls, and that any general maintenance and upkeep, as well as any requirements to replace non-working light fixtures shall be performed by the City at its expense. Notwithstanding the foregoing, PSNH shall be responsible for: a) relocation of street light fixtures and associated brackets and photoelectric controls and other associated materials owned by PSNH when such relocations are necessitated by distribution network improvements; b)

replacement of non-working light fixtures, brackets or photoelectric controls caused by pole accidents, with cost recovery for such replacement addressed consistent with current practice under Rate EOL; and c) repairing all MH and HPS light fixtures, brackets and photoelectric controls that the City has reported to PSNH as needing repair prior to the date the pilot commences. If, after the commencement of the pilot, PSNH determines that any of the reported MH or HPS light fixtures, brackets or photoelectric controls need to be replaced, it shall immediately notify the City, and the Settling Parties will cooperate as may be necessary to determine whether any specific light fixture, bracket or photoelectric control should be repaired or replaced. If the Settling Parties determine that any of the reported items needs to be replaced, the City shall be responsible for replacing the items. The Settling Parties agree that the City shall bear any risk associated with malfunctioning or inoperable MH or HPS light fixtures and associated brackets and photoelectric controls for which it has maintenance or replacement responsibility, as well as any and all risks associated with work performed on such items, including risk of damage or injury to persons or equipment, and that the City shall reimburse PSNH for any damages to PSNH's electrical system caused by the City's maintenance work.

PSNH's present street lighting rates include a maintenance charge, which PSNH has calculated to be approximately \$.95 per fixture per month. To recognize that the City, and not PSNH, will be responsible for maintenance of the existing street light fixtures, brackets and photoelectric controls, PSNH will credit the City's bill by \$.95 per MH and HPS fixture per month.

2.2.2. With respect to LED light fixtures and associated brackets and photoelectric controls, the Settling Parties agree that the City shall be authorized to seek and use independent, third-party, contractors to install the LED light fixtures and associated brackets and photoelectric

controls, and that the City will be responsible for performing maintenance on such items once they are installed. Any contractor used by the City to install LED light fixtures shall have all requisite training, certifications and insurance to safely perform the required installations, shall be licensed by the State of New Hampshire and be accepted by the Company. Such contractor shall, prior to the commencement of any installation work, provide written confirmation of its qualifications to PSNH and the City, and shall coordinate its installation work with PSNH. The contractor shall be required to submit a work plan to the Company, and shall update that work plan as necessary. The Company shall review and approve the work plan expeditiously, and shall not unreasonably withhold such approval. Should the City use such contractor labor, the City shall bear all expenses related to the use of such labor, including any expenses arising from damage to PSNH's electrical system caused by the contractor's actions. At the expiration of the pilot period, the Settling Parties will discuss whether the City will assume permanent maintenance responsibility for all of its light fixtures, brackets and photoelectric controls.

2.2.3. Recognizing that any installed LED light fixtures must be approved by the Design Lights Consortium ("DLC"), which requires a minimum 5 year warranty, the Settling Parties expect that manufacturers and/or suppliers of such fixtures will provide warranty services (such as maintenance, repair and replacement) on those fixtures.

2.2.4. The Settling Parties agree that the requirements for LED light fixtures as described in the August 28, 2013 testimony of Charles Goodwin in the instant docket shall remain. Specifically, any LEDs light fixtures proposed to be installed must be certified by the DLC, and must be compatible with current voltages, fit existing brackets, and require no special tools or training to install and maintain. Photoelectric controls must be compatible with ANSI 136.10 standards.

2.3. Capital Funding

2.3.1. Based upon information provided by the City, and a preliminary analysis by PSNH reflected in Attachment A, the Settling Parties agree that the City's proposed LED street lighting installation project qualifies for incentives under the Municipal Program (MP) and the Large Business Program (LBP) as administered by PSNH. The initial estimate is that the City's LED street light project would qualify for an incentive of up to \$100,000 per year per program, for a potential total incentive of \$400,000 over two years. The Settling Parties understand and acknowledge that the total incentive amount may decrease as a result of changes in the quantity or wattages of fixtures, the bid prices actually received by the City, or other factors, and that the total amount of any incentive offer will be determined at the time a contract has been signed with a vendor for the LED conversion project, and in accordance with the requirements of the individual programs. The Settling Parties agree that, consistent with the terms of the programs, any incentive payments will not occur until the project has been completed by the City and inspected and confirmed by PSNH.

III. GENERAL PROVISIONS

3.1. This Settlement Agreement is expressly conditioned upon the Commission's acceptance and approval of all its provisions, including Attachment A, 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.

3.2. Under this Settlement Agreement, the Settling Parties agree to this joint submission to the Commission, which represents a compromise and liquidation of all issues in this proceeding.

3.3. The Settling Parties agree that the Commission's acceptance of this Settlement Agreement does not constitute precedent with respect to any particular issue in this proceeding. Acceptance of this Settlement Agreement by the Commission shall not be deemed to constrain 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.

3.4. 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.

3.5. 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.

3.6. 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.

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

IV. CONCLUSION

The Settling Parties affirm that the proposed Settlement Agreement is reasonable, and consistent with the public interest.

Date: JUNE 16, 2014

The City of Manchester
By its Mayor

Theodore L. Gatsas
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Date: June 16, 2014

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