

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

2010 Core New Hampshire)
Electric Energy Efficiency Programs) Docket No. DE 09-170

SETTLEMENT AGREEMENT

This Settlement Agreement (the “Settlement Agreement”) is entered into by and among Granite State Electric Company d/b/a National Grid (“National Grid”), New Hampshire Electric Cooperative, Inc. (“NHEC”), Public Service Company of New Hampshire (“PSNH”), Unitil Energy Systems, Inc. (“Unitil”) (collectively, “the Electric Utilities”), the Office of Consumer Advocate (“OCA”), the New Hampshire Community Action Association (“CAA”), the Office of Energy and Planning (“OEP”), The Way Home organization (“TWH”), the Jordan Institute, the Homebuilders and Remodelers Association of New Hampshire (NHHBRA) and the Staff of the New Hampshire Public Utilities Commission (Staff) (all collectively referred to as “the Settling Parties and Staff”). Approval of this Settlement Agreement by the New Hampshire Public Utilities Commission (“Commission”) will permit the electric energy efficiency programs, funded by New Hampshire electric customers through the System Benefits Charge (“SBC”) pursuant to RSA 374-F:3, VI, to be implemented for 2010.

I. PROCEDURAL HISTORY

This proceeding began with the joint filing on September 30, 2009, by the Electric Utilities of a document entitled “2010 Core New Hampshire Energy Efficiency Programs” (“2010 Core Proposal”), setting forth the Electric Utilities’ proposed SBC-

funded energy efficiency programs for 2010. *See* Attachment A, 2010 Core Proposal. As reflected in the Core Proposal, the Electric Utilities work collaboratively, with interested parties and the Staff, to review, adjust and improve the Core programs. 2010 Core Proposal at 3.

The Electric Utilities propose the continuation of the Core Program Management Team (“CMT”) to oversee all Core program activities, quarterly reporting and to resolve issues as they arise. The Electric Utilities propose that the CORE Management Team continue to be comprised of representatives from each electric utility and will make decisions by consensus with one member specifically designated as the liaison with the Settling Parties and Staff.

The Electric Utilities propose maintaining a “performance incentive” for utility shareholders¹, consistent with Order No. 23,574 in Docket DR 96-150 (November 1, 2000), which allows the Electric Utilities to earn a performance incentive between 0% and 12% of the Core Program Budget depending on the level of utility’s performance in meeting annual goals.² The Electric Utilities also propose continuing the process whereby customers with multi-year projects could receive a commitment from their utility notwithstanding the year-by-year approval by the Commission of the Core Programs. In addition, the Electric Utilities propose the continuation of the previously adopted budget adjustment guidelines, allowing the Electric Utilities to transfer funds when necessary among programs, within the commercial and residential sectors, subject to certain limitations.

¹ The term “shareholders” includes New Hampshire Electric Cooperative members.

² The budgeted incentive is 8%.

The Commission issued an Order of Notice on October 1, 2009 and, pursuant to the Order, conducted a Pre-Hearing Conference on October 14, 2009.

A technical session was convened following the Pre-Hearing Conference, during which a procedural schedule was developed. All pending intervention requests were granted and the Commission issued a Secretarial Letter on October 23, 2009 approving the procedural schedule recommended by the Settling Parties and Staff. In addition, the Secretarial letter provided that the Electric Utilities are authorized to continue the 2009 Core Programs in the event an order approving the 2010 Core Programs has not been issued by December 31, 2009.

There were multiple rounds of discovery on the 2010 Core Proposal. On November 6, 2009, Staff filed testimony of James J. Cunningham, Jr., the Office of Consumer Advocate filed testimony of Stephen R. Eckberg, and The Way Home filed testimony of Roger D. Colton. On December 9, 2010, the following testimonies were filed with the Commission: Rebuttal Testimony by Roger Colton D. Colton on behalf of The Way Home, Supplemental Testimony of James J. Cunningham, Jr. on behalf of Staff of the Public Utilities Commission, Rebuttal Testimony of Jeremy Newberger on behalf of National Grid, Rebuttal Testimony of Gilbert E. Gelineau, Jr. on behalf of Public Service Company of New Hampshire, Rebuttal Testimony of Carol Woods on behalf of New Hampshire Electric Cooperative, Inc., Reply Testimony of Thomas Palma on behalf of Unitil Energy Systems, Inc., Rebuttal Testimony of Kenneth E. Traum and Stephen R. Eckberg on behalf of the Office of Consumer Advocate, and Rebuttal Testimony of Dana Nute on behalf of the Community Action Agencies. In addition, the Commission's Audit Division finalized audits for program year 2008 expenditures for each of the Electric

Utilities. The final audit reports were attached to Mr. Cunningham's testimony filed on November 6, 2009.

The Settling Parties and Staff conducted technical sessions on October 30, November 10, December 1 and 14, 2009. This Settlement Agreement is a result of discussions that took place during these sessions.

II. SETTLEMENT TERMS

The Settling Parties and Staff agree that it is lawful and consistent with the public interest for the Commission to approve the Electric Utilities' 2010 Core Proposal, subject only to the modifications described in this Settlement Agreement.

A. Core Programs Meetings/Quarterly Reports

The Settling Parties and Staff will meet monthly instead of quarterly to review the Core Programs and related issues. The Settling Parties and Staff shall agree on the agenda items for each monthly meeting at the end of the previous meeting and agree that the following issues should receive priority for consideration during the 2010 monthly meetings: selection of a consultant for the development of a multi-year evaluation which may include reviewing the level of rebates and subsidies; review of the performance incentive to ensure that incentives are appropriately aligned with Core Program goals; marketing education and outreach including improvement of the NH Saves website, common web tools for all utilities, and the development of uniform materials to inform customers of energy efficiency opportunities; reviewing the level of rebates and subsidies; whether Core Programs vendor selection process should be modified; reviewing the findings of the 2009 Commission Staff audits, whether NHEC's Load Management System as described below in Section I(5) should be funded by the SBC;

and planning for the 2011 integration of program delivery with the gas utilities' energy efficiency programs. The Settling Parties and Staff agree that for the January 2010 meeting, the subject of the discussion shall be the utilities' Marketing and Education plan for 2010 and the Commercial and Industrial programs for the 2011 Core Program filing.

No Party is prohibited from introducing other issues related to the planning and operation of the Core Programs at any monthly meeting.

Each Electric Utility shall file a quarterly report no later than 45 days after the end of a quarter, with the exception of the last quarter of the year, which report shall be filed 60 days after the end of the quarter. The quarterly reports shall include a reconciliation reflecting SBC revenues and FCM proceeds and expenses, expenditures by program, and the interest applied to the ending balance. PSNH's quarterly reports will also include reporting on any 125-O funds.

The Electric Utilities have the responsibility of carrying out the existing programs, to spend within approved budgets, and to meet operational goals for every program. The Electric Utilities shall have the necessary authority to manage the operations of the programs in order to achieve the budget and programmatic goals established by Commission approval of the 2010 Core programs. The monthly meetings are not intended for the purpose of managing the day-to-day implementation of the programs. The Settling Parties and Staff also agree that it is appropriate to create working groups to address specific issues.

B. Performance Incentive

The Electric Utilities will enhance annual shareholder incentive filings. First, all four Electric Utilities will strive to complete their prior year performance incentive filings

by June 1st. Second, the utilities will include an end-of-year reconciliation to document and identify any carry forward balance.

C. Audits

During the course of 2009, the Staff conducted audits of the Electric Utilities' 2008 Core program services. The Settling Parties and Staff agree that any incremental costs incurred by the Electric Utilities directly attributable to the audits shall be recoverable through funds collected from the System Benefits Charge. The Settling Parties and Staff agree that in 2010, incremental audit costs incurred by the Electric Utilities shall be charged to the administrative expense portion of the 2010 Core program budget. The Electric Utilities will supply the Settling Parties and Staff with an estimate of the incremental costs of complying with an audit in 2010.

With respect to the issues raised in the audits, the Settling Parties and Staff agree that this proceeding did not afford the opportunity to fully review all audit findings, and therefore agree to review these findings in the first calendar year quarter of 2010. The Settling Parties and Staff recommend that a separate proceeding will be opened outside of the Core process to investigate issues regarding PSNH's compliance with the requirements of RSA 125-O.

D. Gas Program Coordination

In addition to the provisions in Section II (J) of this Settlement Agreement, the Electric Utilities will continue to meet with the natural gas utilities that offer energy efficiency programs and to develop recommendations to improve coordination of energy efficiency services to customers with both natural gas and electric service. The Electric Utilities agree to work with the Gas Utilities, the Settling Parties and Staff on issues that

may be common to the provision of energy efficiency services that will enhance coordination, provide increased consumer understanding of the programs offered by gas and electric utilities, and reduce costs of the delivery of energy efficiency programs in the state.

E. Home Energy Assistance Budget Levels

The method for allocation of funds for the low income Home Energy Assistance Program (“HEA Program”) was discussed extensively by the Settling Parties and Staff, through technical sessions and in some cases, testimony. The Settling Parties and Staff agree to work collaboratively on the development of a formula for the derivation of the overall low income budget for the 2011 Core program filing. The Settling Parties and Staff agree that for purposes of the 2010 budget, the HEA Program shall comprise 14.5% of the total funds available for the 2010 Core Programs. The Settling Parties and Staff agree that the formula approach for the funding of the HEA Program developed by Staff during this docket is one approach that shall be considered in future discussions of this issue.

The Settling Parties acknowledge the significant time spent by the Commission Staff to begin the development of a formulaic approach to establishing the HEA budget.

F. Monitoring and Evaluation

Pursuant to a settlement agreement regarding the 2006 Core Programs approved by the Commission on March 17, 2006, responsibility for monitoring and evaluation efforts was transferred from the Electric Utilities to Commission Staff in 2006 to allow for more independent oversight. *See* Order No. 24,599 (March 17, 2006) in DE 05-157. Since 2006, the Commission Staff, working in coordination with the Electric Utilities,

has overseen the Monitoring and Evaluation (M&E) of the Core Programs including the allocation of the budget for M&E. The Settling Parties and Staff agree that the Electric Utilities will work with the Staff and Settling Parties to develop a request for proposals for issuance by February 1, 2010 for the purpose of engaging a consultant by March 31, 2010 to begin developing a multi-year monitoring and evaluation plan generally consistent with the 2009-2010 New Hampshire Energy Efficiency Program Evaluation Plan included here as Attachment B. During 2010, the Electric Utilities shall conduct impact evaluations on the ENERGY STAR® Lighting Program, the Small Business Energy Solutions Program, and the 2009 Home Energy Solutions Fuel-Neutral Pilot Program.

G. Marketing Plan

The Utilities will provide a marketing plan for 2010, and a detailed budget allocation for the marketing budget with input from the Settling Parties and Staff, by the end of January 2010. The Utilities will utilize their existing marketing approach until this plan is completed and executed.

H. 2010 Core Proposal

The Settling Parties and Staff agree that the 2010 Core Proposal will be marked as an exhibit in this proceeding and taken into evidence, with the understanding that the 2010 Core Proposal will be modified by this Settlement and by subsequent decisions by the Commission on any contested issues.

I. Utility-Specific Issues

1. National Grid SBES Program

National Grid provides energy efficiency programs to commercial and industrial customers with average monthly demand of less than 200 kW through its Small Business Energy Solutions program (“SBES”) for 2010. Under the SBES program, National Grid pays 70% of the installation and equipment costs associated with the efficiency measures, while customers are responsible for the remaining 30%. The Settling Parties and Staff agree that as part of the SBES, National Grid is authorized to use SBC funds to provide a 15% discount to SBES customers who pay off their 30% contribution in one-lump sum. In addition, National Grid is authorized to use SBC funds to remove and dispose of fluorescent lights and ballasts from the facilities of participating SBES customers. This program will be reevaluated during calendar year 2010 by the Settling Parties and Staff.

2. Fuel Blind Pilot

PSNH and Unitil had proposed budgets for a full scale fuel neutral program under the New Hampshire Home Performance with EnergyStar® Program, formerly known as Home Energy Solutions. The Settling Parties and Staff agree that PSNH and Unitil will continue the pilot program with PSNH serving 200 homes and Unitil serving 100 homes in addition to the homes authorized in the 2009 program under Order No. 24,974. Unitil and PSNH, consistent with Order No. 24,974, continue to earn a performance incentive only for electric savings in the Program. Unitil and PSNH may continue to serve electrically heated homes, natural gas heated homes in conjunction with the natural gas utilities’ programs, lighting and refrigerator replacements and high use electric homes. In the event that there are more customers seeking to participate in the program than the approved 200 and 100 customer levels in the 2010 fuel neutral pilot program, PSNH and Unitil shall maintain a wait list and may petition the Commission for approval to serve

additional customers. There will be no reallocation of funds out of the program to other Residential programs, if necessary, until at least the second calendar quarter of 2010. At the end of the 2009 heating season, PSNH and Unitil shall promptly evaluate the fuel neutral homes and supply that evaluation to Staff and all Parties.

3. PSNH 2% Set Aside of Unencumbered funds pursuant to RSA 125-O

PSNH agrees that it will not undertake any new projects with the 2% set aside funds authorized by RSA 125-O:5. In addition, the Company will not transfer any 2009 funds into the set aside until the methodology used to determine such set aside has been reviewed in detail with any interested parties and Staff. PSNH will begin to accrue interest on the set aside funds as of January 1, 2010. The issue of interest prior to that date, and whether penalties should be assessed, will be discussed as described in Section II.C., Audits. All accrued interest will be added to the CORE Programs' fund balance.

4. Interest on Forward Capacity Market Payments

PSNH will transfer Forward Capacity Market Payments, net of FCM expenses to the System Benefits Charge revenue balance and begin to accrue interest on these funds as of January 1, 2010 to be added to the Core Program fund balance. The issue of interest prior to that date will be discussed as described in Section II., C, Audits.

5. NHEC

The Settling Parties and Staff, other than the OCA, agree that NHEC may continue to operate an SBC-supported Load Management System as provided in the NHEC Utility-Specific Program Description of the 2010 Core Proposal. The Settling Parties and Staff recognize that NHEC is beginning the installation and implementation of software that will allow for the collection of more detailed information on control

times and therefore will allow for better analysis of the change in the total load at the time of the control. This will provide data necessary to assess the effectiveness of the load management program. NHEC will provide updates on the progress of this implementation as part of its quarterly reports. NHEC expects that some data analysis will be available by the end of the second quarter. Based on reported data, Staff or any party may make recommendations regarding whether NHEC should recover costs from the SBC for this program after 2010.

J. 2011 Core Program Filing

During the spring of 2010 the Settling Parties and Staff will meet to discuss program planning for 2011 in order to allow the Electric Utilities to make the 2011 Core Program Filings no later than August 1, 2010. Any party seeking to suggest enhancements for the 2011 Core Programs shall do so by providing a copy of any such proposals with sufficient details to the Settling Parties and Staff no later than April 30, 2010. The Settling Parties and Staff agree to discuss the development of an integrated program proposal for the gas and electric utilities for future Core Program years. The Settling Parties and Staff further agree that any funds from the 2009 Core Programs that remain unexpended shall be carried forward to the Core Programs.

III. MISCELLANEOUS PROVISIONS

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

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

The Commission's acceptance of this Settlement Agreement does not constitute continuing approval of or precedent regarding any particular issue in this proceeding, but such acceptance does constitute a determination that, as the Settling Parties and Staff believe, the provisions set forth herein are just and reasonable. The discussions which have produced this Settlement Agreement have been conducted on the understanding that all offers of settlement and discussion relating thereto are and shall be privileged, and shall be without prejudice to the position of any party or participant representing any such offer or participating in any such discussion, and are not to be used in any manner in connection with this proceeding, any further proceeding or otherwise.

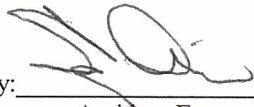
IN WITNESS WHEREOF, the Settling Parties and Staff have caused this Settlement Agreement to be duly executed in their respective names by their agents, each being fully authorized to do so on behalf of their principal.

**GRANITE STATE ELECTRIC COMPANY
D/B/A NATIONAL GRID**

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

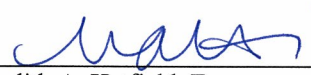
Date: _____

**STAFF OF THE NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

By: 
Suzanne Amidon, Esq.

Date: 12/18/09

OFFICE OF THE CONSUMER ADVOCATE

By: 
Meredith A. Hatfield, Esq.
Consumer Advocate

Date: 12/18/09

OFFICE OF ENERGY AND PLANNING

By: _____
Eric Steltzer
Energy Policy Analyst

Date: _____

**NEW HAMPSHIRE LEGAL ASSISTANCE
on behalf of
THE WAY HOME**

By: _____
Alan Linder, Esq.

Date: _____

THE JORDAN INSTITUTE

By: _____
D. Dickinson Henry, Jr.
Executive Director

Date: _____

NEW HAMPSHIRE ELECTRIC COOPERATIVE

By: _____
Devine, Millimet & Branch, P.A.
Robert E. Dunn, Jr. Esq.

Date: _____

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

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

Date: Dec 18, 2009

UNITIL ENERGY SYSTEMS, INC.

By: _____
Orr & Reno, Professional Association
Susan S. Geiger, Esq.

Date: _____

**STAFF OF THE NEW HAMPSHIRE
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Suzanne Amidon, Esq.

Date: _____

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By: _____
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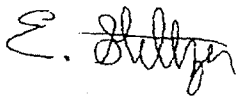
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Alan Linder, Esq.

Date: _____

THE JORDAN INSTITUTE

By: _____
D. Dickinson Henry, Jr.
Executive Director

Date: _____

NEW HAMPSHIRE COMMUNITY ACTION ASSOCIATION

By: _____
Dana Nute

Date: _____

**NEW HAMPSHIRE HOMEBUILDERS AND REMODELERS
ASSOCIATION**

By: _____
Elizabeth Fischer

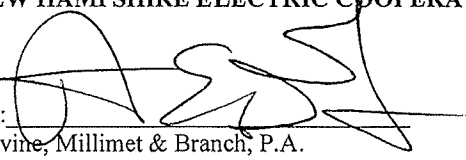
Date: _____

US ENERGY SAVER, LLC

By: _____
Russell Aney

Date: _____

NEW HAMPSHIRE ELECTRIC COOPERATIVE

By: 
Devine, Millimet & Branch, P.A.
Robert E. Dunn, Jr. Esq.

Date: 12/18/09

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

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

Date:

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By: _____
Orr & Reno, Professional Association
Susan S. Geiger, Esq.

Date:

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**HOMEBUILDERS AND REMODELERS ASSOCIATION OF NEW
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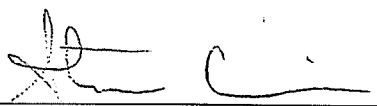
By: Kendall L. Buck

Date: December 18, 2009

Kendall L. Buck
Executive Vice President

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

**GRANITE STATE ELECTRIC COMPANY
D/B/A NATIONAL GRID**

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

Date: 12/18/07

NEW HAMPSHIRE ELECTRIC COOPERATIVE

By: _____
Devine, Millimet & Branch, P.A.
Robert E. Dunn, Jr. Esq.

Date: _____

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

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

Date: _____

UNITIL ENERGY SYSTEMS, INC.

By: _____
Orr & Reno, Professional Association
Susan S. Geiger, Esq.

Date: _____

**STAFF OF THE NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

NEW HAMPSHIRE ELECTRIC COOPERATIVE

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Devine, Millimet & Branch, P.A.
Robert E. Dunn, Jr. Esq.

Date: _____

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

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

Date: _____

UNITIL ENERGY SYSTEMS, INC.

By: S. S. Geiger
Orr & Reno, Professional Association
Susan S. Geiger, Esq.

Date: 12/18/09

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Date: _____

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OFFICE OF ENERGY AND PLANNING

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Eric Steltzer
Energy Policy Analyst

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Date: 12.18.09

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