



**Public Service
of New Hampshire**

780 N. Commercial Street, Manchester, NH 03101

Public Service Company of New Hampshire
P. O. Box 330
Manchester, NH 03105-0330
(603) 634-2961
Fax (603) 634-2438

Gerald.eaton@nu.com

The Northeast Utilities System

Gerald M. Eaton
Senior Counsel

May 18, 2012

Debra A. Howland
Executive Director
New Hampshire Public Utilities Commission
23 South Fruit Street, Suite 10
Concord, New Hampshire 03301-2429

Re: CORE Energy Efficiency Programs Docket No. DE 10-188
Tariff Amendment to Residential Energy Efficiency Loan Program
Better Buildings Program



Dear Ms. Howland:

This letter will describe the results of discussions with the Staff of the Commission regarding the BetterBuildings Program. On April 20, 2012, Public Service Company of New Hampshire (PSNH) filed amended tariff pages which expanded the limits on the Residential Energy Efficiency Loan Program. On May 14, 2012, representatives from the Commission Staff, the NH Community Development Finance Authority, and PSNH met to review PSNH's Tariff Amendment. Included with the Tariff Amendment filing were attachments describing a Collaboration Agreement between the NH Community Development Authority (CDFA) and PSNH. The Collaboration Agreement describes how the CDFA and PSNH plan to work together to weatherize 500 homes and how the associated costs would be allocated between BetterBuildings funds managed by CDFA and CORE Program funds budgeted to the Home Performance with Energy Star (HPwES) Program administered by PSNH. Under terms of the Agreement, BetterBuildings would contribute \$1.5 million to the effort and an additional \$500 thousand would come from the HPwES Program budget.

Meeting Summary

The CDFA is the administrator of a \$10 million BetterBuildings grant awarded to the NH Office of Energy and Planning. The original purpose of the grant was to gain experience implementing energy efficiency projects that went "beyond the basics" and to have these projects serve as examples of best practices for other communities to follow. The projects were to be implemented in three NH communities: Berlin, Nashua, and Plymouth. PSNH was a supporter of and a signatory to the original grant application. The proposal now under consideration would make home weatherization services available to PSNH's residential customers across its entire service territory.

In March 2011 PSNH and the CDFA began discussing the possibility of collaborating on residential home weatherization projects using a model based on the HPwES Program being implemented by PSNH. After several months of talks, the parties were unable to find a way to fund the startup of the operation and the talks were discontinued in June 2011. Talks resumed again in November when it appeared that a solution could be worked out regarding startup funding. The initial round of talks was documented for Staff and Parties to the CORE Programs docket in a memo dated June 29, 2011. After the talks resumed again in November, a second memo, dated November 16, 2011, was circulated to Staff and Parties to the CORE Programs docket. This second memo provided an outline of how a collaboration might work and how costs might be allocated. While the Collaboration Agreement filed with PSNH's Tariff Amendment on April 20, 2012, provides more details, the basic principles presented by PSNH in the November memo are essentially unchanged.

The purpose of the meeting was to address Staff's questions regarding the Collaboration Agreement as well as the details of how the program would be implemented, how costs would be allocated and tracked, and the potential impacts on the HPwES Program as filed and approved by the Commission in its Order No. 25,315, dated January 9, 2012. The CDFA and PSNH provided answers to Staff's questions and supplied clarification as needed. At the conclusion of the meeting, attendees were satisfied that the Collaboration Agreement together with the responses to Staff's questions adequately described the proposed collaboration, as long as the following issues could be documented in writing:

1. Insufficient HPwES Program Budget

The Collaboration Agreement calls for weatherization of 500 homes with half of each rebate coming from BetterBuildings funds and half coming from HPwES funds. Staff questioned what would happen in the event there were insufficient funds in PSNH's HPwES Program budget to collaborate on all 500 homes. PSNH indicated, that in this situation and barring any future agreements, work would cease on the collaboration once all the HPwES funds from CORE Program funds were depleted.

2. Collaboration Agreement Could Run Through April 2013

As noted in Section 2, page 5 of the Collaboration Agreement, the term of the Agreement could extend through April 2013 whereas approval to implement the current HPwES Pilot Program ends on December 31, 2012. In the event the HPwES Program is not offered in 2013, or it is modified such that it no longer meets the requirements of the BetterBuildings Program, PSNH and the CDFA will terminate the Collaboration Agreement.

3. Funds Tracking

PSNH will maintain separate accounts for CORE Program funds and BetterBuildings funds. BetterBuildings expenditures will be separately identified using the standard CORE Programs Tracking Activities identified on page 64 of the 2011 CORE Programs Filing (August 2010). In addition there will be a separate account for BetterBuildings funds used for project financing.

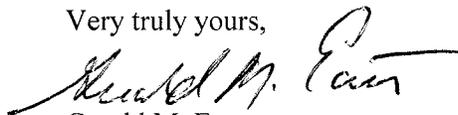
4. Shareholder Incentive Calculation

As documented on page 63 of the 2012 CORE Programs Update Filing (Revised December 15, 2011), PSNH's original 2012 plan called for weatherization of 562 single family homes. The additional funding made possible through the Collaboration Agreement provides the opportunity for approximately 250 additional homes to receive weatherization services. For purposes of the Shareholder Incentive Calculation, PSNH will include the energy savings and expenditures associated with the single family homes completed in 2012 up to a maximum of 562. PSNH will identify the amount of funding coming from the CORE budget, from BetterBuildings funds, and from customers. Should more than 562 homes receive weatherization services, the associated energy savings and expenditures will be excluded from the Shareholder Incentive calculation.

Additional Understandings

As follow-up to the meeting, Staff will make their recommendations to the Commission regarding PSNH's April 20, 2012, Tariff Amendment filing. PSNH and CDFA understand and agree that any positions and/or recommendations Staff may make relative to the Tariff Amendment filing are made without prejudice to positions Staff may take on the same or similar issues in other dockets before the Commission. PSNH and CDFA further understand and agree that approval of the Tariff Amendment by the Commission does not constitute evidence of Commission support for continuation of the fuel neutral design of the HPwES Program.

Very truly yours,



Gerald M. Eaton
Senior Counsel

cc: Service List