

THE STATE OF NEW HAMPSHIRE
before the
PUBLIC UTILITIES COMMISSION

ALTERNATIVE DEFAULT ENERGY SERVICE RATE

Docket No. DE 11-216

PARTIAL SETTLEMENT AGREEMENT ON
ALTERNATIVE DEFAULT ENERGY SERVICE RATE

This Partial Settlement Agreement on an Alternative Default Energy Service Rate (“Settlement Agreement”) is entered into this 12 day of October, 2012, by and among Public Service Company of New Hampshire (“PSNH” or the “Company”), the Staff of the New Hampshire Public Utilities Commission (“Staff”), and the Office of the Consumer Advocate (the “OCA”), with the intent of resolving the issues discussed herein. This Partial Settlement Agreement constitutes the recommendation of PSNH, the Staff, and the OCA with respect to the New Hampshire Public Utilities Commission’s (the “Commission”) approval of PSNH’s proposal for an Alternative Default Energy Service Rate.

ARTICLE I. INTRODUCTION AND PROCEDURAL HISTORY

1.1 In 2010, in Docket No. DE 09-180, PSNH proposed to address certain issues relating to customer migration by removing a portion of fixed costs from its default energy service rate (“Rate DE”) and recovering those costs through a non-bypassable charge. In the May 28, 2010 order of notice in Docket No. DE 09-180 the Commission stated that it would open a separate proceeding to consider the impact of customer migration on PSNH’s Rate DE customers. On June 11, 2010, the Commission issued an Order of Notice opening Docket No. DE 10-160 for purposes of investigating PSNH’s proposed charge, as well as other issues relating to customer migration. In addition to participation by the OCA, intervention requests were granted for: Constellation Energy Commodities Group, Inc.; Constellation NewEnergy; TransCanada Power

Marketing Ltd.; TransCanada Hydro Northeast, Inc.; Conservation Law Foundation; Freedom Energy Logistics; Halifax-American Energy Company; Clean Power Development; the Retail Energy Supply Association; and the New England Power Generators Association. Following discovery and the submission of pre-filed testimony, on November 30 and December 1, 2010 the Commission conducted a hearing on the merits and later accepted legal briefs from various parties. On July 26, 2011, the Commission issued Order No. 25,256 and concluded, in relevant part, that customer migration was having an adverse effect on PSNH's Rate DE customers, but that PSNH's proposed non-bypassable charge was not the appropriate means to address this effect. *See* Order No. 25,256 at 27-29. The Commission, therefore, ordered that as part of its 2012 default energy service filing, PSNH was to file alternative proposed rates and tariffs for customers returning to PSNH's default energy service from competitive supply. *See* Order No. 25,256 at 31-33.

1.2 In compliance with the directive in Order No. 25,256, on September 23, 2011, PSNH filed a petition for approval of an alternative default energy service rate ("Rate ADE"). That petition was docketed as Docket No. DE 11-216. Initially, Staff, the OCA, Freedom Energy Logistics and Halifax-American Energy Company participated in the docket. In its petition, PSNH proposed that Rate ADE be implemented to address the circumstance when the default Rate DE rate is greater than the market rate by offering a rate exceeding PSNH's marginal cost of default service, but less than the average embedded cost. As originally proposed, Rate ADE was based upon PSNH's marginal costs for power plus an adder based upon the non-operating costs of the wet flue gas fluidized desulfurization system ("Scrubber") recently installed at PSNH's Merrimack Station. On November 15, 2011, the Commission issued a secretarial letter stating that it would not consider the costs of the Scrubber in this docket. In supplemental

testimony filed on November 22, 2011, PSNH contended that a one cent per kilowatt-hour adder could remain in place until the costs of the Scrubber were recovered through default energy service rates.

1.3 Following a hearing and the receipt of written closing statements, on January 26, 2012 the Commission issued Order No. 25,320 denying PSNH's petition to implement Rate ADE as proposed in PSNH's November 22, 2011 filing. In its order, the Commission set out three primary concerns with PSNH's proposal, specifically: (1) pricing of Rate ADE might not reflect market pricing because the rate would only be adjusted twice per year; (2) customers might be able to "game" the system by moving back-and-forth between Rate ADE and competitive supply, which might cause PSNH to under-recover costs; and (3) the record did not support the proposed one cent adder. The Commission also outlined other concerns about the proposed rate design and ordered PSNH to file a redesigned Rate ADE by June 30, 2012.

1.4 On April 27, 2012, PSNH filed updated testimony proposing a redesigned Rate ADE intended to address the shortcomings identified in Order No. 25,320. Following this submission, the Commission granted the intervention requests of the Retail Energy Supply Association and PNE Energy Supply LLC and denied PNE's motion to dismiss PSNH's redesigned Rate ADE. The Commission issued a procedural schedule on June 28, 2012, requiring the filing of Staff/Intervenor Testimony on August 24, 2012. On August 24, 2012, the Commission received testimony from Staff and the OCA, and on August 27, 2012, from PNE. Per the procedural schedule, on September 21, 2012 PSNH filed rebuttal.

ARTICLE II. RATE ADE

2.1 This Settlement Agreement provides for the implementation of PSNH's redesigned Rate ADE under the terms set out below. By agreeing to the implementation of Rate ADE,

PSNH, Staff and the OCA are not agreeing that Rate ADE addresses all issues relating to customer migration and no party is foreclosed from taking any position on any issues relating to customer migration in future dockets.

2.2 Rate ADE shall be in effect as a “pilot” rate for a period of thirty-six (36) months beginning upon the implementation of Rate ADE on January 1, 2013, or such other date the Commission may order. As used here, the term “pilot” is intended to indicate a non-permanent test or trial of Rate ADE, which pilot shall be evaluated by the Commission upon the conclusion of the pilot period or prior to any modifications to or extensions of the pilot program. Nothing in this agreement shall be construed to limit the authority of the Commission to terminate this rate prior to the end of the thirty-six-month pilot period.

2.2. Availability

2.2.1 When a customer terminates service from competitive supply, meaning Supplier Service or Self-Supply Service as defined in PSNH’s tariff, the customer returning to PSNH for energy service will receive Rate ADE for a Term of Service, which will be set by the Commission. During the customer’s Term of Service, Rate DE will not be available to the customer except as described in section 2.2.4, below:

2.2.1.1 The Term of Service will be a period of consecutive months for a duration defined by the Commission. The Term of Service will begin when a customer is first served under Rate ADE, following at least twelve consecutive months with a competitive supplier, and will end once the Term of Service period has passed regardless if the customer continues to receive energy service from PSNH during the Term of Service. During the Term of Service, a customer may return to competitive supply at any time

without resetting the Term of Service. If, however, a customer takes competitive supply for twelve consecutive months, the Term of Service shall reset.

2.2.2 Upon implementation of Rate ADE, on January 1, 2013, or such other date the Commission may order, Rate ADE will be available to customers taking delivery service under Primary General Service Rate GV, Large General Service Rate LG, or Backup Service Rate B. Within nine months of implementation for these rate classes, Rate ADE shall be made available to all customers of all rate classes. PSNH shall inform the Commission of any material changes to the expected date of availability of Rate ADE to all rate classes.

2.2.3 Once implemented, the price under Rate ADE shall be set annually at the same time as the price under Rate DE is set, but may be subject to adjustment after six months according to the process and for the reasons set out in section 2.3.3 or 2.3.4, below.

2.2.4 As described in Attachment 1, the proposed tariff implementing Rate ADE, Rate ADE shall be closed to returning customers upon notification from PSNH to the Commission and customers that the circumstances described in 2.3.3.1 exist. Customers taking service under Rate ADE at the time of closure will be allowed to remain on the rate, but if a customer leaves Rate ADE to take service from a competitive supplier, the customer will not be allowed to return to service under Rate ADE until the availability of the rate is re-opened. Following and during the closure of Rate ADE, any customer returning to PSNH for default energy service will be served under Rate DE.

2.2.5 Following the closure of Rate ADE, the availability will remain closed until the Commission authorizes an adjustment to the price under Rate ADE, or until the re-opening of the availability of the rate. During the period of closure, any customers who returned to PSNH default service Rate DE, and who would have qualified for Rate ADE but for the closure, will be

transferred to Rate ADE once the rate is re-opened. The availability of Rate DE during this time is described in Attachment 2, the proposed tariff implementing changes to Rate DE. The time such a customer spent on Rate DE during the period of closure of Rate ADE will count toward the Term of Service described in section 2.2.1. However, no retroactive reconciliation of the rates paid by customers during the period of closure will occur. PSNH shall work with the Staff and the OCA to establish one or more methods of notification to inform customers when Rate ADE is closed and shall provide a report to the Commission on that notification process by January 1, 2013.

2.3. Pricing

2.3.1 The price of Rate ADE shall be based upon PSNH's forecast of the marginal cost to provide full requirements service to the New Hampshire load zone, plus an adder (as described in 2.3.2). The forecast of marginal costs shall include forward energy market prices, forward capacity market prices, forecasted ancillary service costs, forecasted ISO-NE market administration costs, and forecasted renewable portfolio standard compliance costs, all of which shall be determined in a manner consistent with that utilized in PSNH's filings for Rate DE.

2.3.2 The adder shall be set equal to the non-operating costs of the Scrubber. The non-operating costs of the Scrubber shall include depreciation, property taxes and return on rate base.

2.3.3 PSNH shall monitor its forecasted marginal costs on a monthly basis and compare those forecasts to the prices used to calculate the annual rate for Rate ADE and shall provide reports of such forecasts to the Commission by the 15th day of each month.

2.3.3.1 If the projections of marginal costs for the remaining months of an annual period have increased by at least seventy-five percent (75%) of the amount of the adder defined in section 2.3.2 (and used in the calculation of the currently effective rate), Rate ADE shall be closed temporarily to returning customers, as described in 2.2.4 and 2.2.5. If the above circumstances exist at the time of the monthly filing made on or about May 15, PSNH shall also file a request for Commission authorization to increase Rate ADE effective July 1. The request shall be filed on or about the same date that PSNH typically files its request for a July 1 modification of Rate DE.

2.3.3.2 If the projections of marginal costs for the remaining months of an annual period have decreased by at least seventy-five percent (75%) of the amount of the adder defined in section 2.3.2 (and used in the calculation of the currently effective rate), PSNH shall file a request for Commission authorization to decrease Rate ADE. The request shall be filed on or about the same date that PSNH typically files its request for a July 1 modification of Rate DE.

2.4 Term and Reporting

2.4.1 On or before the 25th day of each month, PSNH will file a report with the Commission showing the amount of kilowatt-hours served under Rate ADE, and the difference between the revenue received and the marginal cost of serving the load under Rate ADE for the most recently completed month and for the annual period to date.

2.4.2 Annually, on or by December 1, PSNH shall file a report with the Commission for the purpose of assessing the value of Rate ADE to customers served under Rate DE. Such report shall consist of data, by customer class, on the number of customers served under Rate ADE, the number of kilowatt hours served, as well as the annual impact of Rate ADE

on costs recovered through Rate DE. Should the Commission approve an implementation date other than January 1, 2013, PSNH, the Staff, and the OCA shall discuss whether to amend the date by which the annual report shall be filed and shall report the results of such discussions to the Commission. PSNH, the Staff, and the OCA shall work cooperatively to develop any recommended changes to the design of Rate ADE to the extent that such changes are necessary to ensure that Rate DE customers benefit as a result of implementation of Rate ADE.

2.4.3 At least 3 months prior to the end of the pilot period, PSNH shall file a request to extend, modify or terminate Rate ADE and shall include information about the historical performance of Rate ADE and support for the requested relief.

ARTICLE III. GENERAL PROVISIONS

3.1 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 PSNH, the Staff, and the OCA are unable to agree with said 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, PSNH, the Staff, and the OCA agree to this joint submission to the Commission as a resolution of the issues specified herein only. The captions in this Settlement Agreement are for convenience only and shall not affect the construction or interpretation of any term or provision herein.

3.3 PSNH, the Staff, and the OCA agree that the Commission's acceptance of this Settlement Agreement does not constitute precedent for any particular issue in this proceeding. 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, nor shall this Settlement Agreement be deemed to restrain the authority of the Legislature to enact any law that would resolve the matters covered by this Settlement Agreement in a different fashion.

3.4 This Settlement Agreement shall not be deemed an admission by any of the Settling Parties and Staff that any allegation or contention in this proceeding by any other party 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 proposed 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.

3.5 PSNH, the Staff, and the OCA 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 the weight Commission deems appropriate. Consent by PSNH, the Staff, and the OCA to admit all pre-filed testimony without challenge does not constitute agreement 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 agreement to such resolution for purposes of any future proceedings.

3.6 Except for Staff, the rights conferred and obligations imposed on any signatory by this Settlement Agreement shall be binding on or inure to the benefit of their successors in interest or assignees as if such successor or assignee was itself a Signatory hereto.

3.7 This Settlement Agreement is the product of confidential settlement negotiations. The content of the 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.

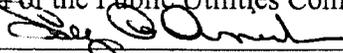
3.8 This Settlement Agreement may be executed in multiple counterparts, which together shall constitute one agreement. Signatures made by facsimile or other electronic means shall have the same effect as if made as an original to the document.

ARTICLE IV. CONCLUSION

4.1 PSNH, the Staff, and the OCA affirm that the proposed Partial Settlement Agreement is a just and reasonable resolution of the issues in this proceeding for purposes of this proceeding only.

Date: October 12, 2012

Staff of the Public Utilities Commission

By: 

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Date: October __, 2012

The Office of Consumer Advocate

By: _____

Susan Chamberlin

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Date: October __, 2012

Staff of the Public Utilities Commission

By: _____

Suzanne G. Amidon

Staff Attorney

21 S. Fruit St., Suite 10

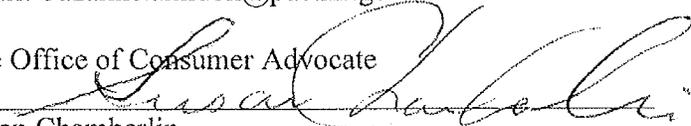
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DE 11-216

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Date: October 12, 2012

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NHPUC NO. 8 - ELECTRICITY DELIVERY
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

Original Page 96-A
Rate ADE

ALTERNATE DEFAULT ENERGY SERVICE RATE ADE

AVAILABILITY

Subject to the Terms and Conditions of the Tariff of which it is a part, this rate is for energy and capacity in conjunction with the applicable Delivery Service Rate Schedule. It is available to Customers who are receiving Delivery Service under Primary General Delivery Service Rate GV, Large General Delivery Service Rate LG, and Backup Delivery Service Rate B. Service under this rate is mandatory for and only available to customers who received Supplier Service or Self-Supply Service for at least twelve consecutive months. Once a Customer terminates Supplier Service or Self-Supply Service following at least twelve consecutive months of receipt of such service, any energy and capacity service taken from the Company during the next ___ months must be taken under this rate, unless this rate is temporarily closed. In the event of a temporary closure of this rate, any Customer returning to energy and capacity service from the Company during the period that this rate is closed must take such service under Default Energy Service Rate DE. Once this rate is re-opened, such Customers will be transferred to service hereunder. Service under Default Energy Service Rate DE during the period that this rate is closed shall be deemed to be part of the ___ month period described above.

By the 15th day of each month, the Company will file with the Commission the Company's revised projections of marginal costs for the remaining months of the current annual period. Such revised projections will then be compared to the original projections of marginal costs used to determine the currently-effect price under this rate. This rate shall be closed to new customers as of the first day of the next succeeding month if such revised projections exceed the original projections by at least seventy-five percent of the amount of the adder used to determine the currently-effective price under this rate. Upon closure, this rate will only be available to customers who are receiving service hereunder at that time and who continuously receive service hereunder during the period of closure.

This rate shall be re-opened if the Company's subsequent monthly filings with the Commission show that its revised projections as compared to the original projections are within seventy-five percent of the amount of the adder used to determine the currently-effective price under this rate. This rate shall also be re-opened if the Commission approves an adjustment to the price under this rate.

Notwithstanding any other Tariff provision or Special Contract terms, no discount shall be applied to this rate.

RATE PER MONTH

Per Kilowatt-Hour

Energy Charge

¢

Issued: XX, XX, 2012

Issued by: _____

Effective: January 1, 2013

Gary A. Long
Title: President and Chief Operating Officer

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PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

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Rate ADE

LIMITATION OF AVAILABILITY

Availability of service under this rate is limited to ____ months following the end of any period of twelve consecutive months during which the Customer receives Supplier Service or Self-Supply Service. If the Customer receives energy and capacity service from the Company after the ____ month period is reached, such service will be rendered under Default Energy Service Rate DE.

RENEWABLE SERVICE OPTIONS

The Company will purchase and retire a sufficient number of new renewable generation resource certificates ("Certificate") to match the kilowatt-hour usage associated with the Customers enrolled in a renewable service option.

A Certificate represents one thousand kilowatt-hours of electricity generated by a generation resource physically located in New England that is certified by the Commission as a Class I or Class II generation resource under the New Hampshire Electric Renewable Portfolio Standard or is capable of earning certification under the New Hampshire Renewable Portfolio Standard. The Company is not required to purchase Certificates simultaneously with Customer usage. Certificates supporting the renewable service options under this rate schedule will be acquired by the Company such that up to 30% of one calendar year's Certificate requirements could be satisfied with Certificates produced in either of the previous two calendar years or during the first quarter of the subsequent calendar year.

- 100% Renewable Service Option - The Company will purchase Certificates to match a Customer's total kilowatt-hour usage.
- 50% Renewable Service Option - The Company will purchase Certificates to match 50% of a Customer's total kilowatt-hour usage.
- 25% Renewable Service Option - The Company will purchase Certificates to match 25% of a Customer's total kilowatt-hour usage.

The Company will use reasonable efforts to purchase Certificates, but does not guarantee the availability of Certificates. In the event Certificates are not available or cannot be purchased at a reasonable cost, the Company shall make a payment to the Renewable Energy Fund created pursuant to the New Hampshire Electric Renewable Portfolio Standard in lieu of purchasing Certificates.

Issued: XX, XX, 2012

Issued by: _____

Effective: January 1, 2013

Gary A. Long
Title: President and Chief Operating Officer

NHPUC NO. 8 - ELECTRICITY DELIVERY
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

Original Page 96-C
Rate ADE

Beginning in 2011 the Company will submit a report to the Commission annually by July 1st to document the number of Certificates purchased and retired by the Company on behalf of Customers receiving service under the renewable service options during the preceding calendar year.

The Customer must notify the Company to initiate service under a renewable service option. In the event the Company can process the Customer request to initiate service prior to the Customer's next regularly scheduled meter read date, the next bill rendered by the Company shall include a charge for the renewable service option chosen by the Customer. Otherwise, the subsequent bill rendered by the Company shall include a charge for the renewable service option chosen by the Customer. The Company shall confirm customer acceptance of the date that service will be initiated under a renewable service option, i.e. either the most recent meter read date or the next subsequent meter read date.

The Customer must notify the Company to discontinue service under a renewable service option. In the event the Company can process the Customer request to discontinue such service prior to the Customer's next regularly scheduled meter read date, the next bill rendered by the Company shall not include a charge for the renewable service option. Otherwise, the subsequent bill rendered by the Company shall not include a charge for the renewable service option.

RATE PER MONTH - RENEWABLE SERVICE OPTIONS

100% Renewable Service Option Charge:	3.579¢ per kilowatt-hour in addition to the Energy Charge
50% Renewable Service Option Charge:	1.790¢ per kilowatt-hour in addition to the Energy Charge
25% Renewable Service Option Charge:	0.895¢ per kilowatt-hour in addition to the Energy Charge

Issued: XX, XX, 2012

Issued by: _____
Gary A. Long

Effective: January 1, 2013

Title: President and Chief Operating Officer

NHPUC NO. 8 - ELECTRICITY DELIVERY
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

Superseding 5th 4th Revised Page 94
6th 5th Revised Page 94
Rate DE

DEFAULT ENERGY SERVICE RATE DE

AVAILABILITY

Subject to the Terms and Conditions of the Tariff of which it is a part, this rate is for energy and capacity in conjunction with the applicable Delivery Service Rate Schedule. It is available to those Customers who are not receiving Supplier Service or Self-Supply Service, except for those Customers who are required to take such service under Alternate Default Energy Service Rate ADE. In addition, renewable service options are available to Customers who are not enrolled in the Residential Electric Assistance Program Rate EAP and have not been approved to receive electric service payment assistance through the Fuel Assistance Program administered by a Community Action Agency.

Notwithstanding any other Tariff provision or Special Contract terms, no discount shall be applied to this rate.

RATE PER MONTH

Per Kilowatt-Hour

Energy Charge

7.11¢

RENEWABLE SERVICE OPTIONS

The Company will purchase and retire a sufficient number of new renewable generation resource certificates ("Certificate") to match the kilowatt-hour usage associated with the Customers enrolled in a renewable service option. A Certificate represents one thousand kilowatt-hours of electricity generated by a generation resource physically located in New England that is certified by the Commission as a Class I or Class II generation resource under the New Hampshire Electric Renewable Portfolio Standard or is capable of earning certification under the New Hampshire Renewable Portfolio Standard. The Company is not required to purchase Certificates simultaneously with Customer usage. Certificates supporting the renewable service options under this rate schedule will be acquired by the Company such that up to 30% of one calendar year's Certificate requirements could be satisfied with Certificates produced in either of the previous two calendar years or during the first quarter of the subsequent calendar year.

Issued: XX XX, 2012

Issued by: _____
Gary A. Long

Effective: January 1, 2013

Title: President and Chief Operating Officer