

THE STATE OF NEW HAMPSHIRE
before the
PUBLIC UTILITIES COMMISSION

CORE ENERGY EFFICIENCY PROGRAMS 2013-2014

Docket No. DE 12-262

SETTLEMENT AGREEMENT

This Settlement Agreement relating to the 2013-2014 CORE NH Electric Energy Efficiency Programs and Gas Energy Efficiency Programs (“Core Programs”) is entered into this 14th day of December, 2012, by and among: Granite State Electric Company d/b/a Liberty Utilities (“GSEC”); the New Hampshire Electric Cooperative, Inc. (“NHEC”); Public Service Company of New Hampshire (“PSNH”); and Unitil Energy Systems, Inc. (“UES”) (collectively, the “Electric Utilities”); EnergyNorth Natural Gas, Inc. d/b/a Liberty Utilities (“ENGI”) and Northern Utilities, Inc. d/b/a Unitil (“Northern”) (collectively, the “Gas Utilities”) (the Electric Utilities and Gas Utilities are collectively referred to as the “Core Utilities”); the Staff of the New Hampshire Public Utilities Commission (“Staff”); The Way Home (“TWH”); the New Hampshire Community Action Agencies (“CAA”); The Jordan Institute (“TJI”); and the New Hampshire Community Loan Fund (“NHCLF”), (collectively referred to as the “Settling Parties and Staff”), with the intent of resolving the issues discussed herein. This Settlement Agreement constitutes the recommendation of the Settling Parties and Staff with respect to the New Hampshire Public Utilities Commission’s (the “Commission”) approval of the Core Utilities’ proposed Core Program proposals for the 2013-2014 program years.

ARTICLE I. INTRODUCTION AND PROCEDURAL HISTORY

On September 17, 2012, the Core Utilities jointly filed their proposed Core Programs for the 2013-2014 program years. This filing marks the first time in which the Electric Utilities and Gas Utilities have filed a single proposal jointly, with the intention of further coordinating energy efficiency programs provided by the Core Utilities. The original filing is attached as Attachment A to this Settlement Agreement. Updated pages to Attachment A are attached to this Settlement Agreement as Attachment B.

Historically, the Gas Utilities' energy efficiency programs have been funded by an energy efficiency charge included as a line item in the Local Distribution Adjustment Charge ("LDAC"). Also, the Electric Utilities' energy efficiency programs have been historically funded from various sources including: the System Benefits Charge ("SBC") pursuant to RSA 374-F:4, VIII(c); forward capacity market ("FCM") payments administered according to the FCM rules of the Independent System Operator-New England ("ISO-NE"); and the Regional Greenhouse Gas Initiative's ("RGGI") Greenhouse Gas Emissions Reduction Fund under RSA 125-O:23. On June 23, 2012, Chapter 281 of the Laws of 2012 (House Bill ("HB") 1490) became law. Effective January 1, 2013, HB 1490 amended RSA Chapter 125-O by replacing the Regional Greenhouse Gas Emissions Reduction Fund with a new Energy Efficiency Fund, and allocating a portion of allowance auction proceeds as "an additional source of funding to electric distribution companies for core energy efficiency programs that are funded by SBC funds." The result of this change is that additional funding will be available for the Electric Utilities' energy efficiency programs, and the budgets for the Electric Utilities' energy efficiency programs incorporate \$6 million annually in 2013 and 2014 in RGGI funding based on preliminary

estimates in the range of \$3 million to \$6 million as contained in the Commission's Supplemental Order of Notice issued July 13, 2012. The Settling Parties and Staff agree that the Gas Utilities' energy efficiency programs and the Electric Utilities' energy efficiency programs (collectively "Core Energy Efficiency Programs") are contained in Attachments A and B.

In general, the Core Utilities propose the continuation of previously adopted and implemented Core Programs subject to some adjustments, as well as the adoption or continuation of various utility-specific programs. The Core Utilities also seek to continue multi-year approvals and request authority to continue to make customer commitments during 2013 and 2014 for projects to be completed in 2013-2016 for those customers who have presented definitive plans for projects to be completed in subsequent years and which include energy efficiency measures contained in the 2013-2014 proposal, subject to continued and sufficient funding. The Core Utilities propose that the Core Program Team comprised of representatives from each electric and gas utility, continue to oversee all Core program activities and quarterly reporting, and resolve issues that arise by consensus where possible with one member specifically designated as the liaison with Settling Parties and Staff.¹

Pursuant to Chapter 335 of the Laws of New Hampshire 2010, the Commission contracted with Vermont Energy Investment Corporation for an independent study of energy efficiency issues in New Hampshire. The final report of that study was issued on September 30, 2011, and a number of the recommendations therein were incorporated into this filing.

On October 11, 2012 the OCA filed its notice of participation pursuant to RSA 363:28 and on October 15, 2012, the Commission issued an order of notice in this docket scheduling a prehearing conference for October 24, 2012. Motions to intervene were made by the CAA, TJI, TWH, the New Hampshire Office of Energy and Planning, TRC Energy Services, the New

¹ See Concord Electric Company et al Order No 23,982 in Docket No. DE 01-057, 87 NH PUC 378, 383 (2002).

Hampshire Department of Environmental Services, and the NHCLF. All motions to intervene were granted by a secretarial letter dated November 1, 2012.

Following the pre-hearing conference, PSNH submitted a proposed procedural schedule which was approved in the Commission's November 1 secretarial letter. Thereafter, discovery was conducted and on December 4, 2012 Staff, OCA and DES filed testimony. The parties and Staff also held two technical sessions and held settlement discussions on December 7 and 11, 2012.

ARTICLE II. SETTLEMENT TERMS

The Settling Parties and Staff agree that the 2013-2014 Core Programs as set forth in Attachments A and B to this Settlement Agreement, as modified by Article II of this Settlement Agreement, should be approved by the Commission.

A. Program Administration and Budgets

The Settling Parties and Staff agree that the Core Utilities have the responsibility of carrying out the 2013-2014 Core Programs, to spend within the Commission approved budgets, and to meet operational goals for every program contained therein. The Core Utilities shall have the necessary authority to manage the operation of the 2013-2014 Core Programs to achieve the budget and programmatic goals established by the Commission's approval of said programs. The Settling Parties and Staff agree that the budget adjustment provisions set forth in Section I.K, page 21 of Attachment A shall govern the transfer of Core Program funds.

The Settling Parties and Staff agree that the Electric Utilities shall budget for and track expenditures of programs consistent with that shown on Attachment C. The Settling Parties and Staff further agree that Attachment C is consistent with the requirements of HB 1490 and

provides appropriate methods for tracking the budgets and expenditures for the Core Programs and demonstrating the source of funds as either from the SBC, or the RGGI program. The Settling Parties and Staff further agree that all budget and expenditure reporting shall be consistent with Attachment C. The Settling Parties and Staff agree that any updates to the amount of anticipated RGGI funds for the 2014 program year will be provided with the Core Utilities' updated filing for the 2014 program year. The Settling Parties and Staff agree that sector budgets (including LDAC, SBC, FCM, and RGGI funds) may exceed the originally filed budget (not including the performance incentive) by up to 5% without further review or approval by the Commission.

B. Quarterly Meetings and Reports

The Settling Parties and Staff agree to meet quarterly to review the 2013-2014 Core Programs' implementation and related issues. The Settling Parties and Staff also agree to establish the agenda items for each quarterly meeting at the end of the previous quarterly meeting held in this docket and agree that the following issues should receive priority for consideration during these meetings: 1) the quarterly reports; 2) program implementation issues or concerns; 3) notable accomplishments or events from the prior quarter; and 4) future plans or events. The Settling Parties and Staff agree that quarterly meetings may be used to explore the possibility of doing cost-effective "deep dive" projects and retrofits. The Settling Parties and Staff further agree that quarterly meetings may be used to discuss the possibility of adjusting rebate levels for the Home Energy Assistance program. The Settling Parties and Staff agree that possible changes to the programs for the 2014 program year should be discussed at the quarterly meetings as such opportunities arise.

The Core Utilities agree to file a quarterly report no later than 60 days after the end of the quarter. The Settling Parties and Staff agree that the quarterly reports shall include: 1) a

summary of the highlights of the 2013-2014 Core Programs, including program expenses, participation, and annual and lifetime kWh and MMBtu savings; 2) details of the electric and gas program budgets, showing the expenses by activity with pie charts for each program and total by customer sector; 3) an electric-related forward capacity market report; 4) monitoring and evaluation reports; 5) the percentage of program expenditures, savings, and participation attributable to SBC and RGGI funds for each utility; and 6) a summary of electric and gas highlights of the Home Energy Assistance Program.

C. Home Performance with Energy Star

In Order No. 25,402, the Commission approved HPwES as a permanent Core Program. With the exception of the Core Utilities' proposal to permit gas customers to collect a rebate of up to \$4000 from their electric utility, in addition to a \$4000 rebate from their gas utility, the Settling Parties and Staff agree to the implementation of the program as described in Attachment A and Attachment B, pages 26-28. Despite significant support for an expanded rebate for gas customers, the Settling Parties and Staff agree not to include this proposal at this time. The parties will continue to discuss in the quarterly meetings ways of providing additional energy efficiency benefits to residential gas customers.

D. Performance Incentives

1. Performance Incentive Working Group

The Settling Parties and Staff agree to continue to collaborate in a working group as contemplated in the settlement agreement approved by the Commission in DE 10-188, the proceeding for the approval of the 2011-2012 Core Electric Utility Programs, with the intent of ensuring that performance incentives are appropriately aligned with Core Program goals. In

addition, the working group is developing a proposal for non-electric savings as directed by the Commission in Order No. 25,402.

The Settling Parties and Staff agree that the working group will develop a performance incentive proposal for the Commission's review by June 30, 2013. To the extent that members of the working group cannot agree on a proposal, any individually developed proposal(s) for a performance incentive shall be submitted for Commission review by June 30, 2013. Any proposals, whether joint or individual, shall include proposed terms relative to the effective date of any changes recommended.

2. Calculation of Performance Incentive In the Interim

Until the Commission considers and approves a method of calculating the performance incentive as described in Section D.1 above, the Core Utilities shall use the method described in Attachment A, pages 64-66, and Attachment B, pages 85-126, and approved in Order No. 25,315 to calculate the performance incentive for all programs and funding sources except for the HPwES Program. The Settling Parties and Staff agree that the Core Utilities will not collect a performance incentive on the non-electric portion for the HPwES Program until such an incentive mechanism has been approved by the Commission. The actual expenses related to the non-electric portion of the HPwES Program will be calculated by summing the customer rebates associated with the non-electric measures installed (see Attachment D for example calculation). The Settling Parties and Staff also agree that, as was first approved in Order 25,189, the performance incentive will be based on actual spending as opposed to budgeted spending to avoid potential double-counting of budgets in the calculation of performance incentives.

E. Low Income Customers

The Settling Parties and Staff support the low income budgets proposed in the Core Utilities' 2013-2014 Core Program filing.

F. Miscellaneous Provisions

1. The Core Utilities agree that in the Core Program filing for the 2015-2106 program years, they will provide a summary highlighting material changes to the Core Programs since the prior filing. For purposes of this section “material changes” means: changes in funding sources (such as the proposed increase in RGGI funding); program design changes (such as the proposed expansion of the HPwES program); addition of new measures (such as the proposed addition of air conditioning measures and deep dive measures to the HPwES program); changes in rebates (such as the proposed doubling of rebates for the HPwES program); new pilot programs (such as the proposed three new pilot programs); program evolutions (such as the proposed transition of the C&I RFP program from a pilot to a permanent program); proposed changes to savings assumptions (such as the proposed implementation of the IECC 2009 Energy Code). In addition, for programs in which the Core Utilities project a significant variance in savings between the most recently completed program year and the proposed program year, the Core Utilities agree to provide a direct comparison depicting the variance. The Core Utilities will further provide an explanation for those significant variances.

2. UES and NHEC agree to submit revisions to their on-bill financing tariffs within 90 days of an Order in this docket.

3. The Gas Utilities will continue to define C&I program participation by the number of prescriptive rebates provided, or in the case of custom measures, the number of custom projects completed.

4. The Core Utilities will strive to use consistent savings assumptions for all non-electric savings.

5. The Core Utilities agree to provide the update for the 2014 program year on or by August 31, 2013.

F. Utility-Specific Issues

1. PSNH

i. C&I RFP

The Settling Parties and Staff were not able to agree on implementing PSNH's C&I RFP Program for Competitive and Economic Development as a full Core Program and shall present this issue for the Commission's consideration.

ii. RSA 125-O Monies

On or by June 1 of each year, PSNH agrees to provide to the Settling Parties and Staff a calculation of set-aside money available under RSA Chapter 125-O, pursuant to the settlement agreement approved by the Commission on November 4, 2010. PSNH agrees that it will not include RGGI funds in the calculation of set-aside money. PSNH further agrees that in evaluating the cost effectiveness of projects at its own facilities, it shall use the same standards as are applied to Core Program projects.

2. UES

UES agrees to withdraw its Combined Heat and Power ("CHP") pilot measure from the 2013-2014 Core Program filing. UES will provide Staff and Settling Parties with additional information regarding the CHP Pilot during the first quarter of 2013, and thereafter will determine whether to seek Commission approval to add CHP as a measure for the 2013-2014

programs by April 30, 2013. Whether to introduce the measure, and how such introduction should be accomplished will be discussed with Staff and all interested parties.

G. General Provisions

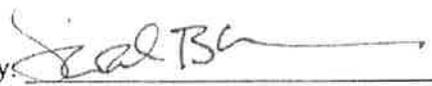
Staff and the Settling Parties agree that all direct and rebuttal testimony and supporting documentation should be admitted as full exhibits for purposes of consideration of this Agreement. Agreement to admit all direct and rebuttal testimony without challenge does not constitute agreement by Staff and the Settling Parties that the content of the written testimony filed on behalf of Staff or the other parties is accurate or what weight, if any, should be given to the views of any witness. Furthermore, in light of the fact that they have entered into this Agreement, the Staff and the Settling Parties have agreed to forego cross-examining witnesses regarding their pre-filed testimony and, therefore, the admission into evidence of any witness's testimony or supporting documentation shall not be deemed in any respect to constitute an admission by any party to this Agreement that any allegation or contention in this proceeding is true or false, except that the sworn testimony of any witness shall constitute an admission by such witness.

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 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 LIBERTY UTILITIES

By: 
Sarah B. Knowlton, Esq.

Date: 12-14-12

NEW HAMPSHIRE ELECTRIC COOPERATIVE

By: _____
Mark W. Dean, Esq.

Date: _____

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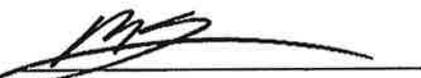
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D/B/A LIBERTY UTILITIES

By: _____
Sarah B. Knowlton, Esq.

Date: _____

NEW HAMPSHIRE ELECTRIC COOPERATIVE

By: 
Mark W. Dean, Esq.

Date: 12/14/12

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

By: 
Matthew J. Fossum, Esq.
Counsel

Date: 12/14/12

UNITIL ENERGY SYSTEMS, INC.

By: _____
Orr & Reno, P.A.
Rachel Aslin Goldwasser, Esq.

Date: _____

ENERGYNORTH NATURAL GAS, INC.
D/B/A LIBERTY UTILITIES

By: _____
Sarah B. Knowlton, Esq.

Date: _____

NORTHERN UTILITIES INC.
D/B/A UNITIL

By: _____
Orr & Reno, P.A.
Rachel Aslin Goldwasser, Esq.

Date: _____

STAFF OF THE NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

By: _____
Marcia A.B. Thunberg

Date: _____

THE WAY HOME

By: _____
New Hampshire Legal Assistance
Alan Linder, Esq.

Date: _____

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

By: _____
Matthew J. Fossum, Esq.
Counsel

Date: _____

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By:  _____
Orr & Reno, P.A.
Rachel Aslin Goldwasser, Esq.

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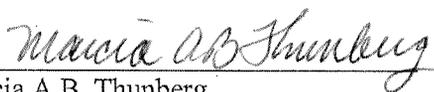
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NORTHERN UTILITIES INC.
D/B/A UNITIL

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Orr & Reno, P.A.
Rachel Aslin Goldwasser, Esq.

Date: 12/14/12

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PUBLIC UTILITIES COMMISSION

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Marcia A.B. Thunberg

Date: 12/14/12

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

By: _____
Matthew J. Fossum, Esq.
Counsel

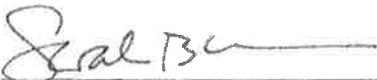
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UNITIL ENERGY SYSTEMS, INC.

By: _____
Orr & Reno, P.A.
Rachel Aslin Goldwasser, Esq.

Date: _____

ENERGYNORTH NATURAL GAS, INC.
D/B/A LIBERTY UTILITIES

By:  _____
Sarah B. Knowlton, Esq.

Date: 12-14-12

NORTHERN UTILITIES INC.
D/B/A UNITIL

By: _____
Orr & Reno, P.A.
Rachel Aslin Goldwasser, Esq.

Date: _____

STAFF OF THE NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

By: _____
Marcia A.B. Thunberg

Date: _____

CONFIDENTIAL DRAFT
PREPARED FOR SETTLEMENT PURPOSES

By: _____
Matthew J. Fossum, Esq.
Counsel

Date: _____

UNITIL ENERGY SYSTEMS, INC.

By: _____
Orr & Reno, P.A.
Rachel Aslin Goldwasser, Esq.

Date: _____

ENERGYNORTH NATURAL GAS, INC.
D/B/A LIBERTY UTILITIES

By: _____
Sarah B. Knowlton, Esq.

Date: _____

NORTHERN UTILITIES INC.
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By: _____
Orr & Reno, P.A.
Rachel Aslin Goldwasser, Esq.

Date: _____

STAFF OF THE NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

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Marcia A.B. Thunberg

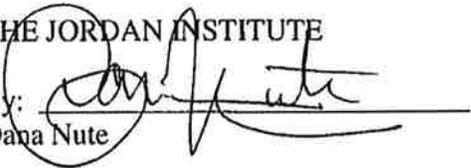
Date: _____

THE WAY HOME

By: Alan Linder
New Hampshire Legal Assistance
Alan Linder, Esq.

Date: 12/14/12

THE JORDAN INSTITUTE

By: 
Dana Nute

Date: 12-14-12

NEW HAMPSHIRE COMMUNITY
ACTION ASSOCIATION

By: _____
Ryan Clouthier

Date: _____

NEW HAMPSHIRE COMMUNITY LOAN FUND

By: _____
Rick Minard
Vice President for Policy and Programs

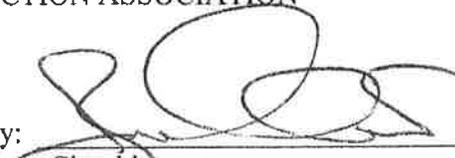
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THE JORDAN INSTITUTE

By: _____
Dana Nute

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NEW HAMPSHIRE COMMUNITY
ACTION ASSOCIATION

By: 
Ryan Clouthier

Date: 12-14-12

THE JORDAN INSTITUTE

By: _____
Dana Nute

Date: _____

NEW HAMPSHIRE COMMUNITY
ACTION ASSOCIATION

By: _____
Ryan Clouthier

Date: _____

NEW HAMPSHIRE COMMUNITY LOAN FUND

By: 
Rick Minard
Vice President for Policy and Programs

Date: Dec 14, 2012