

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 10-261

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

2010 Least Cost Integrated Resource Plan

**Order Accepting Integrated Resource Plan, and Delineating Parameters for Succeeding
Integrated Resource Plans**

ORDER NO. 25,459

January 29, 2013

APPEARANCES: Gerald M. Eaton, Esq. and Sarah B. Knowlton, Esq. for Public Service Company of New Hampshire (with Matthew J. Fossum, Esq., as post-hearing counsel); Orr & Reno, P.A., by Douglas L. Patch, Esq., for TransCanada Power Marketing Northeast Ltd. and TransCanada Hydro Northeast Inc.; Orr & Reno, P.A., by Howard M. Moffett, Esq., for Granite Ridge Energy, LLC; The Law Offices of Arthur B. Cunningham, by Arthur B. Cunningham, Esq., for New Hampshire Sierra Club; N. Jonathan Peress, Esq., for Conservation Law Foundation; Eric Steltzer, *pro se*, for the New Hampshire Office of Energy and Planning; Office of the Consumer Advocate on behalf of residential ratepayers, by Rorie E.P. Hollenberg, Esq.; and Alexander F. Speidel, Esq. for the Staff of the Public Utilities Commission.

I. PROCEDURAL BACKGROUND

On September 30, 2010, Public Service Company of New Hampshire (PSNH, or Company) filed, pursuant to RSA 378:38, its 2010 Least Cost Integrated Resource Plan (LCIRP) (*see* Hearing Exhibits PSNH-1, LCIRP filing dated September 30, 2010, and PSNH-2, corrections to LCIRP filing pages dated April 4, 2012). PSNH's previous LCIRP was filed on September 30, 2007. The Commission provided PSNH with guidance regarding the expected content of the 2010 LCIRP filing in two orders, Order No. 24,945 (February 27, 2009) in Docket No. DE 07-108, PSNH's 2007 LCIRP filing, and also in Order No. 25,061 (December 31, 2009).

An order of notice regarding PSNH's 2010 LCIRP filing was issued on November 3, 2010, scheduling a prehearing conference and technical session for November 18, 2010.

On November 4, 2010, the Office of the Consumer Advocate (OCA) filed a letter informing the Commission of the OCA's participation in this docket on behalf of residential ratepayers pursuant to RSA 363:28. In advance of the November 18, 2010 prehearing conference, the following parties filed motions to intervene: Freedom Logistics, LLC d/b/a Freedom Energy Logistics (Freedom); Granite Ridge Energy, LLC (Granite Ridge); TransCanada Power Marketing Ltd. and TransCanada Hydro Northeast, Inc. (together, TransCanada); New England Power Generators Association, Inc. (NEPGA); Conservation Law Foundation (CLF); New Hampshire Sierra Club (Sierra Club); and the State of New Hampshire Office of Energy and Planning (OEP). The prehearing conference was held as scheduled on November 18, 2010, and no objections were raised to these motions to intervene.

On December 2, 2010, Staff filed its report regarding the November 18, 2010 prehearing conference, which included a recommended procedural schedule to which the parties consented. This schedule was approved by the Commission, by secretarial letter, on December 28, 2010. This secretarial letter also included guidance regarding the expected scope of review for the 2010 PSNH LCIRP filing in this docket. *See* Letter of Debra Howland, December 28, 2010 (also marked as Hearing Exhibit TransCanada-2, *see* Footnote 3, below).

During the course of this proceeding, Staff filed several requests to modify the original procedural schedule, as deemed advisable by the parties during the course of discovery and related motions. These requests for schedule modification were approved by the Commission by secretarial letters dated: February 24, 2011; March 31, 2011; May 9, 2011; June 28, 2011;

December 15, 2011; and January 13, 2012. (Also, PSNH made one unilateral request to modify the pre-hearing procedural schedule in this docket, which the Commission granted by secretarial letter dated October 14, 2011).

As part of this proceeding, the parties propounded multiple rounds of discovery regarding PSNH's LCIRP filing. Also, PSNH sought confidential treatment, pursuant to RSA Chapter 91-A and the Commission's rules, regarding portions of its discovery responses. These matters were ruled upon by the Commission in Orders No. 25,220 (May 4, 2011) (Order denying Sierra Club motion to compel served upon PSNH), No. 25,234 (June 14, 2011) (Order on PSNH motions for confidential treatment), No. 25,263 (August 20, 2011) (Order granting TransCanada motion to compel, addressing confidentiality of PSNH internal information, and denying Sierra Club request for testimony), No. 25,298 (December 7, 2011) (Order addressing PSNH motions to compel), and by secretarial letter on February 3, 2012 (addressing PSNH motions to strike and TransCanada motion to compel).

Interested persons may review these decisional documents, and related filings, other than any information for which confidential treatment is requested of or granted by the Commission, on the Commission's website at <http://www.puc.nh.gov/Regulatory/Docketbk/2010/10-261.html>.

Pursuant to the procedural schedule, Staff, OCA, and certain intervenors filed written testimony regarding PSNH's LCIRP filing in late July 2011. Specifically, Sierra Club filed the testimony of Dr. Ranajit Sahu on July 25, 2011 (*see* Hearing Exhibit Sierra Club-4, Expert Report of Dr. Ranajit Sahu dated June 30, 2011); Staff filed the joint testimony of George McCluskey (of the Commission's Electric Division) and Edward Arnold (of Staff's consultant, Jacobs Consultancy) on July 27, 2011 (*see* Hearing Exhibit Staff-1); TransCanada filed the

testimony of Michael Hachey on July 27, 2011 (*see* Hearing Exhibit TransCanada-14); CLF filed the testimony of Douglas Hurley on July 27, 2011 (*see* Hearing Exhibit CLF-9); and OCA filed the testimony of Kenneth Traum, OCA's consultant, on July 27, 2011 (*see* Hearing Exhibit OCA-1). On October 10, 2011, TransCanada filed the supplemental testimony of Michael Hachey (*see* Hearing Exhibit TransCanada-15); Staff filed the supplemental joint testimony of George McCluskey and Edward Arnold on October 12, 2011 (*see* Hearing Exhibit Staff-2).

In response to this testimony, as provided for in the procedural schedule, PSNH filed the rebuttal testimony of PSNH employees Terrance Large, William Smagula and Elizabeth Tillotson, and the joint rebuttal testimony of PSNH's consultants, Richard Levitan and Dr. Richard Carlson (both of Levitan & Associates, Inc.), on October 26, 2011 (*see* Hearing Exhibits PSNH-3, Rebuttal Testimony of Terrance Large; PSNH-4, Joint Rebuttal Testimony of William Smagula and Elizabeth Tillotson; PSNH-8, Joint Rebuttal Testimony of Richard Levitan and Dr. Richard Carlson of Levitan & Associates, Inc.).

On January 9, 2012, PSNH filed a request to postpone the hearing for this matter, originally scheduled for January 18 and 19, 2012, until such time that a full quorum of Commissioners could sit at hearing. On January 13, 2012, Staff filed a separate request to reschedule the hearing until April 4 and April 5, 2012, in light of outstanding motions and discovery disputes involving the parties, with the support of PSNH and certain other parties. This request was granted by the Commission by secretarial letter dated January 13, 2012, with public hearings on the merits held as scheduled on April 4 and April 5, 2012. A continuation of

the hearing took place on May 8, 9, and 10, 2012, with closing briefs filed by PSNH, TransCanada, CLF, Sierra Club, OCA, and Staff on June 13, 2012.¹).

On November 29, 2012, CLF made a supplemental filing regarding certain matters involving PSNH's Schiller Station. In response, on December 6, 2012, PSNH filed a motion to strike CLF's supplemental filing, to which CLF objected, by a filing made on December 17, 2012. PSNH, in turn, filed an objection to CLF's December 17, 2012 objection, which incorporated a motion to strike CLF's objection, on December 19, 2012.

II. POSITIONS OF THE PARTIES AND STAFF

This order will address all matters involving PSNH's LCIRP filing with the exception of the Newington Continued Unit Operation Study (Newington CUO) submitted by PSNH with its 2010 LCIRP filing², and parties' requests for similar studies for other PSNH generating assets. Because the Commission's consideration of the Newington CUO, or parties' requests for other CUOs, does not govern its disposition of the LCIRP filing under consideration, the Commission will issue a companion order on issues relating to CUOs for Newington and other PSNH generating units at a later date. This proceeding has developed a record of pre-filed testimony, oral interrogatories (with related transcripts), and hearing exhibits, including responses to Commission record requests, that is voluminous, containing extremely detailed technical arguments by multiple parties. The full record, including all filings and exhibits, is available in this docket on the Commission's website for specific details regarding each party's position.

¹ On May 24, 2012, TransCanada filed a motion to compel a PSNH response to a TransCanada record request made at hearing, to which Sierra Club assented (as indicated by a TransCanada letter to the Commission filed on May 30, 2012; TransCanada withdrew its motion to compel by a letter filed on June 7, 2012).

² The Commission required PSNH to file a Newington CUO as part of its 2010 LCIRP filing. *See* Order Nos. 24,945 and 25,061.

The Commission has carefully examined these materials, and provides the following factual summaries in a condensed format for convenience, and to specifically delineate the most pertinent matters and positions brought forth by each party informing the Commission in promulgating this Order.

A. PSNH

PSNH, throughout this proceeding, argued in favor of the Commission's acceptance of its 2010 LCIRP filing as adequate, under the terms of RSA 378:38, in opposition to challenges made by other parties to the LCIRP's adequacy. In general terms, PSNH noted that its LCIRP filing had corresponding sections incorporating each statutory requirement, or element, of RSA 378:38, and presenting PSNH's reasoned judgments regarding each element's subject matter, thereby meeting the requirements of the LCIRP statute. *See* Hearing Exhibit PSNH-3, at 2-5; *see also* PSNH Closing Brief, June 13, 2012, at 1-7.

PSNH, in its written and oral testimony, supporting materials, and within the LCIRP filing itself, defended its judgments related to the elements of: the forecast of future electrical demand, presented in Section III of the LCIRP; the assessment of Demand-Side Management (DSM) Programs, presented in Section IV of the LCIRP; PSNH's compliance with the Clean Air Act Amendments of 1990, within Section IX of the LCIRP; and PSNH's general assessment of the environmental impact of the LCIRP on the State, in Section XII, including assessments of the federal Acid Rain Program, the Ozone Transport Region regulations, the New Hampshire Clean Power Act, the Regional Haze Rule, the Clean Air Transport Rule, the Clean Air Mercury Rule, and the Clean Water Act. Hearing Exhibit PSNH-1 at 133-137, 149-155. PSNH noted that these LCIRP discussions were included in full compliance with RSA 378:38, VII and IX, and were

based upon the environmental standards in place at the time of the LCIRP's development and submission, that is, as of September 30, 2010. PSNH-3 at 6-8; PSNH-4 at 5-14; PSNH Closing Brief at 4-5.

In defending its LCIRP approach related to environmental compliance planning issues, PSNH strongly opposed the OCA, TransCanada, CLF, and Sierra Club, which argued that PSNH's LCIRP should have considered the potential costs resulting from possible future environmental regulations. PSNH argued that it could only prepare for "reasonably foreseeable" environmental regulations, defined by PSNH as currently-applicable regulations; proposed or potential regulations were not, in PSNH's view, within the proper purview of an LCIRP planning process due to their speculative nature. PSNH-3 at 5 and 6-7; PSNH-4 at 9-14; PSNH Closing Brief at 4-7.

PSNH did not agree, moreover, with these parties' position that the implication of Commission guidance, issued after the submission of its LCIRP by a secretarial letter dated December 28, 2010,³ was that PSNH's focus on currently-applicable regulations alone was deficient under the terms of the LCIRP statute, in that such potential regulations were somehow "reasonably foreseeable," and their exclusion from PSNH's consideration was deficient under RSA 378:38. *Id.* PSNH argued that, given the variability and uncertainty of the environmental-regulation development process, it would be burdensome, not feasible, and not cost-effective for PSNH to integrate a broad range of potential environmental regulation-related impacts into its

³ This December 28, 2010 secretarial letter served as the prehearing conference order in this proceeding, and was, as mentioned, marked as Hearing Exhibit TransCanada-2 at hearing. The letter included the following language: "...the Commission notes as a general matter that a sound planning process should consider reasonably foreseeable regulatory changes, recognizing that the threshold at which a potential change in regulatory standards becomes too remote or speculative for a utility to consider will depend on the particular facts and circumstances of the regulatory matter at issue."

LCIRP process with any level of useful accuracy, nor, PSNH argued, is such integration required under the terms of the LCIRP statute. PSNH-3, 6-8; PSNH-4, 9-14; *see also* PSNH Closing Brief, 4-7.

With regards to Staff's critique of PSNH's approach to DSM matters in the LCIRP filing, PSNH made a series of technical arguments asserting that its approach was adequate and reasonable pursuant to the LCIRP statute, because it developed DSM scenario planning assumptions that were designed to provide a reasonable estimate of DSM-related savings. *See* PSNH-3 at 10-13; PSNH Closing Brief at 3-4. PSNH also defended its approach to the matters related to its forecast of future electrical demand, including customer migration, in opposition to the OCA's position that PSNH's analysis of potential customer migration was inadequate. PSNH pointed out that, in LCIRP Section III, it provided a forecast incorporating a range of customer migration from zero to 40 percent, which PSNH argued to be reasonable in light of current data. *See* Hearing Transcript 4/4/12, Afternoon, at 102-107; *see also* PSNH Closing Brief at 3.

In its oral and written testimony, PSNH did acknowledge that, while its LCIRP filing was adequate under the terms of RSA 378:38, the LCIRP "...is a planning document, not a decision-making document," PSNH-3 at 8, and that the LCIRP filing "...sadly has very limited value" in actually informing PSNH's ongoing business-planning processes and needs. *See* Hearing Transcript 4/4/12, Afternoon, at 115, *passim* 107-116. Instead, PSNH testified that it engaged in internal strategic planning processes that reflected its, and its parent company's, corporate goals, in parallel to the LCIRP production and filing process under the Commission's supervision. *Id.* at 120-121.

PSNH, in a post-hearing letter filed on June 22, 2012, also opposed Sierra Club's request, discussed below, for reimbursement of expert witness and attorney's fees in connection with this proceeding. *See* PSNH Letter of Sarah Knowlton, Esq., June 22, 2012.

B. TransCanada

TransCanada, a competitor of PSNH in the electric power supply market, provided the pre-filed testimony (including supplemental testimony, TransCanada-15) of Michael Hachey with a focus on PSNH's Newington CUO study, which will be addressed in a separate order. In its closing brief, TransCanada described PSNH's LCIRP filing as "flawed, superficial, and inadequate" under the LCIRP statute, for what TransCanada argued were PSNH's failures to properly assess the impact of customer migration, potential environmental costs, and the future prices of natural gas on PSNH's generation-business competitiveness. TransCanada further argued that PSNH's apparent lack of reliance upon the LCIRP for internal planning purposes was wasteful. *See* TransCanada Closing Brief, 1-4. TransCanada requested that the Commission find PSNH's LCIRP filing inadequate. *Id.* at 18.

C. Sierra Club

Sierra Club, an environmental advocacy organization representing its New Hampshire membership in this proceeding, presented, as pre-filed testimony, the Expert Report of Dr. Ranajit Sahu outlining Dr. Sahu's expectations for potential future capital costs resulting from potentially more-stringent environmental requirements to be incurred by PSNH in its operation of Merrimack Station in Bow, New Hampshire, a coal-fired generating station. *See* Sierra Club-4.

In its closing brief, Sierra Club argued that Dr. Sahu's report strongly indicated that PSNH's LCIRP was deficient, in severely underestimating these potential costs for Merrimack Station, and that PSNH, in refusing to engage in economic analysis for its generation fleet in connection with such potential environmental regulatory impacts, was deficient generally in complying with RSA 378:37 and RSA 378:38. *See* Sierra Club Closing Brief at 1-3 and 5-9. Sierra Club argued that the PSNH LCIRP should be rejected by the Commission as inadequate, "and returned to PSNH for an assessment of each and every environmental program and regulatory change detailed in the expert report of Dr. Sahu," among other requested additional information. Sierra Club Closing Brief at 10-11. Sierra Club also requested, pursuant to RSA 365:38-a, a reimbursement by PSNH for attorney's fees and the expert expenses related to Dr. Sahu's report, and the reconsideration of the Commission's bench order prohibiting Sierra Club from inquiring into the Sargent and Lundy report during the hearing. *Id.*

D. CLF

CLF, an environmental advocacy organization representing its New Hampshire membership in this proceeding, presented, as pre-filed testimony, the report of Douglas Hurley, which criticized PSNH's approach to analyzing the potential future environmental costs for its generating assets, related to potential future environmental regulations. *See* CLF-9 at 2-5. CLF, through this testimony, also presented an economic analysis of PSNH's Schiller Station Units 4 and 6 in Portsmouth, New Hampshire which, in CLF's view, indicated that these units are uneconomic for PSNH to operate. CLF-9 at 5-10.

In its closing brief, CLF asserted that "[t]he evidence in this proceeding unequivocally demonstrates that PSNH's [LCIRP] planning failed to consider a multitude of planning elements

that are crucial to least cost planning,” including the future prices of natural gas, inadequate forecasts of customer migration, failure to consider the potential impacts of future environmental regulations, and failure to consider the potential retirement or divestiture of Schiller Station. Closing Brief of CLF, June 13, 2012, at 1-7. On this basis, CLF requested that the Commission find the PSNH LCIRP inadequate, and reject it. *Id.* at 7-8.

E. Office of the Consumer Advocate

The OCA presented the findings of its consultant, Kenneth Traum, in the form of written testimony. *See* Hearing Exhibit OCA-1. Through this testimony, and its closing brief filed on June 13, 2012, the OCA argued that the Commission should find the 2010 PSNH LCIRP filing inadequate under the terms of the LCIRP statute, RSA 378:38, and the New Hampshire Energy Policy Statute, RSA 378:37, because: the LCIRP did not adequately incorporate analyses of the potential capital costs related to PSNH’s generation resources resulting from reasonably foreseeable environmental regulations, especially for PSNH’s fossil-fuel generating fleet; the LCIRP likely understated the potential future impact of migration on PSNH’s energy demand profile; and certain other technical problems in PSNH’s LCIRP filing and process posed challenges to a finding of adequacy under the LCIRP statute. OCA-1 at 1-8.

The OCA also argued that the Commission should require PSNH to file its next LCIRP by December 31, 2012, and that the Commission should order the opening of a separate adjudicative proceeding for the development of a new DSM plan for PSNH. OCA Closing Brief, June 13, 2012, at 7-8.

F. Staff

Staff's pre-filed testimony of George McCluskey and Staff's consultant, Edward Arnold addressed PSNH's Demand-Side Resources Assessment presented in its LCIRP. Staff provided its critique of PSNH's Demand-Side Resources Assessment in its pre-filed testimony, Hearing Exhibit Staff-1, with additional discussion provided through the hearing testimony of George McCluskey, and Staff's closing brief. Specifically, Staff indicated that, on the basis of PSNH's Demand-Side Resources Assessment and information provided by PSNH in response to discovery, that PSNH is planning to increase by about 300 percent its spending on non-electric energy efficiency programs for PSNH residential customers over the next five years. (Non-electric programs are programs that are designed to reduce customers' consumption of fuels other than electricity, such as fuel oil). *See* Hearing Transcript 4/5/12, Afternoon, at 58-65. Staff expressed the concern that the Commission's approval of a plan to significantly increase the budgets for non-electric demand-side resource programs would amount to an abandonment of established demand-side management operating principles and criteria that ensured fair treatment for all resources, on an economic basis, in the planning process. On this basis, Staff encouraged the Commission to reject PSNH's Demand-Side Resources Assessment plan, and to mandate what Staff termed "a more effective and economic demand-side resources plan focused on electric power savings for PSNH customers." Staff Closing Brief, June 13, 2012, at 2-3.

Staff's pre-filed testimony of Mr. McCluskey and Mr. Arnold, did not address the Staff's position regarding the general acceptability of the PSNH LCIRP filing under the terms of RSA 378:37 and 378:38. In its closing brief, however, Staff indicated that, with one exception, on the basis of its review of the non-Newington CUO portion of the PSNH LCIRP and concerns about

demand-side management principles, Staff found the LCIRP to be generally acceptable and compliant with the terms of RSA 378:37 and 378:38. *See* Staff Closing Brief, June 13, 2012, at 1-2.

G. Miscellaneous Parties

The remaining parties, Freedom, Granite Ridge, NEPGA, and the OEP, provided no closing brief, nor any testimony, in this proceeding. They did, however, take issue with various provisions of the CUO through cross-examination.

III. COMMISSION ANALYSIS

A. Acceptance of Current LCIRP

We begin by analyzing the adequacy of the PSNH 2010 LCIRP filing in light of the statutory standards delineated by RSA 378:38 and RSA 378:37. Thus, we are charged with ascertaining whether PSNH has adequately addressed the elements outlined in RSA 378:38 specifically, while also acknowledging that it is the energy policy of New Hampshire "... to meet the energy needs of the citizens and businesses of the state at the lowest reasonable cost while providing for the reliability and diversity of energy sources; the protection of the safety and health of the citizens, the physical environment of the state, and the future supplies of nonrenewable resources; and consideration of the financial stability of the state's utilities." RSA 378:37.

RSA 378:38 requires nine elements in all LCIRP filings: though additional elements may be included, stating "Each such plan shall include, but not be limited to, the following...". These required elements, described in the context of PSNH's 2010 LCIRP filing, are as follows: (I) a forecast of future electrical demand for PSNH's service area; (II) an assessment of demand-side

energy management programs, including conservation, efficiency improvement, and load management programs; (III) an assessment of supply options; (IV) an assessment of transmission requirements; (V) provision for diversity of supply sources; (VI) integration of demand-side and supply-side options; (VII) an assessment of plan integration and impact on state compliance with the Clean Air Act Amendments of 1990; (VIII) an assessment of plan integration and impact on state compliance with the National Energy Policy Act of 1992; and (IX) an assessment of the plan's long- and short-term environmental, economic and energy price and supply impact on the state. RSA 378:38, I-IX.

It is important to note that the LCIRP, filed in late September, 2010, was based on data from early to mid-2010. Since that time the regional electric market has seen significant change, particularly the drop in wholesale prices as a result of the abundance of lower priced natural gas. The length of time from filing to final order has been longer than optimal, with significant revisions, multiple rounds of discovery, each with protracted discovery disputes, PSNH's request to postpone hearings until all three Commission positions were filled, and five days of hearings over a 30 day period. As such this order addresses circumstances that in some cases no longer reflect the electric market.

It is also important to note that there appears to be an unrealistic expectation among certain parties that the LCIRP process should serve as a tribunal for PSNH's business decision-making and practices, in which intervenors, or the Commission, are empowered to substitute their own judgment for that of PSNH. This is a misapprehension of our role. Instead, the LCIRP process is designed to examine, on a biennial basis, PSNH's planning framework, as presented in the LCIRP filing.

Having reviewed the PSNH 2010 LCIRP, *see* Hearing Exhibit PSNH-1, we concur with Staff's judgment that PSNH's filing is adequate for the purposes of RSA 378:38. Nonetheless, we have substantive criticisms of the PSNH LCIRP process and the effectiveness of the LCIRP statutory mandate, as discussed below. Notwithstanding these criticisms, we do not find a factual or legal basis for rejection of PSNH's instant LCIRP as "inadequate." PSNH has provided each element as part of its LCIRP filing, and though parties may disagree with certain conclusions reached by PSNH in its submission, PSNH has presented its reasoned perspective on each element.

Regarding Element I, a forecast of future electrical demand for PSNH's service area, PSNH has presented such information in Section III of its LCIRP, titled "Electrical Energy Demand Forecast." *See* Hearing Exhibit PSNH-1, at Bates pp. 18-40). For Element II, an assessment of demand-side energy management programs, including conservation, efficiency improvement, and load management programs, PSNH has presented its perspective on such matters in Section IV of its LCIRP, titled "Assessment of Demand-Side Energy Management Programs" (*see* Hearing Exhibit PSNH-1, at Bates pp. 41-83). For Element III, an assessment of supply options, PSNH has presented Section V in its LCIRP, "Assessment of Supply Resources," Hearing Exhibit PSNH-1, at Bates pp. 84-105. For Element IV, an assessment of transmission requirements, PSNH has provided Section VI of its LCIRP, "Assessment of Transmission Requirements," Hearing Exhibit PSNH-1, at Bates pp. 106-126.

For Element V, provision for diversity of supply resources, PSNH has provided Section VII of its LCIRP, "Provision for Diversity of Supply Sources," Hearing Exhibit PSNH-1 at Bates pp. 127-128, together with discussions *passim* throughout the LCIRP filing, including a

discussion regarding PSNH's compliance with the New Hampshire Renewable Portfolio Standard.

To address Element VI, integration of demand-side and supply-side options, PSNH has provided Section VIII of the LCIRP, Hearing Exhibit PSNH-1 at Bates pp. 129-132, together with discussions *passim* as part of its discussion of Elements II and III. For Element VII (Clean Air Act compliance) and Element VIII (National Energy Policy Act of 1992 compliance), PSNH has provided adequate discussion in Sections IX and XI, respectively, Hearing Exhibit PSNH-1 at Bates pp. 133-137 (Clean Air Act), and pp. 145-148 (Energy Policy Act). Furthermore, PSNH addressed Element IX, an assessment of the plan's long- and short-term environmental, economic, and energy price and supply impact on the state, through its discussion in Section XII (Hearing Exhibit PSNH-1, Bates pp. 149-155).

In conclusion, given that PSNH has provided its reasoned perspective on each analysis element required by the LCIRP statute and as stated above, so much has changed in the New England electric markets since this report was written and nothing would be gained by reevaluated conditions that no longer exist, we will accept the 2010 PSNH LCIRP filing as adequate for the purposes of meeting the requirements of RSA 378:38. We observe that such a finding of adequacy does not foreclose the consideration of improvements for future LCIRP filings by PSNH and other electric utilities in the State; indeed, we have taken the arguments of Staff and other parties into consideration in making our rulings for the next LCIRP filing, as outlined below. There is always room for improvement; that said, PSNH has met the burden for adequacy under the LCIRP statute, and it would be unnecessarily burdensome for this

Commission to dismiss the LCIRP filing due to failures to meet a standard not present within the terms of the statute itself.

Within the context of this general conclusion, we will address certain arguments raised by Staff and the parties specifically. With regard to Staff's criticisms related to PSNH's Demand-Side Management (DSM) program planning, and the OCA's request for a separate docket for DSM program review, we direct Staff and the parties to the CORE Energy Efficiency Programs periodic stakeholder sessions as the appropriate forum to address issues related to DSM and energy efficiency matters generally. Given the established stakeholder forum within the CORE dockets, it would not be efficient to create another forum to address these issues. We therefore decline to accept Staff's and the OCA's recommendation to open a new docket to examine the DSM issue

In reference to the issue of future environmental-compliance requirements and whether PSNH should have addressed them within the LCIRP, as asserted by various intervenors, we first note that this Commission does not establish environmental standards. The LCIRP process is not intended to serve as a vehicle for the litigation of environmental matters, either prospectively or retrospectively. Instead, it is intended to serve as a "spot-check" of PSNH's planning efforts in the various statutory areas of consideration, including environmental regulations.

PSNH has consistently argued that its planning focuses on existing, rather than speculative, environmental regulations. The regulatory roadmap is not always clear, as reflected in our December 28, 2010 guidance that PSNH should address "reasonably foreseeable regulatory changes," but we cannot say that PSNH failed to meet the statute's requirements when it chose not to speculate on future environmental regulation when preparing its LCIRP for submission in

September 2010. We find, however, that future LCIRPs should evaluate those regulatory changes that have reached a certain level of likelihood, as addressed in Section C below.

B. Need for Improvements in LCIRP Development, Integration, and Process

PSNH's LCIRP filing, as submitted in the instant proceeding, is adequate under the statutory standards considered. That said, given the expansion of competition in the electric industry and the role of ISO-NE in some system planning, we are concerned that the time and expense of producing an LCIRP as done in the past may no longer result in a document that has significant value to a utility, to the Commission or to ratepayers. Mr. Large acknowledged as much when on the stand. Future LCIRP filings would benefit from the delineation of more specific guidance from the Commission, to address concerns raised by the various parties, to avoid the inclusion of obsolescent or unnecessary material, and to reduce administrative burdens. Accordingly, we will direct PSNH to consider the process not as an arid exercise in regulatory compliance, but rather, as a component of and a reflection of its internal planning processes. The LCIRP should not exist in a vacuum, and it should incorporate as much of a utility's true business planning information as possible, subject to the protection of competitively-sensitive information.

In particular, we were troubled by PSNH's acknowledgment at hearing that the Company views its biennial LCIRP filing as a document tantamount to a reporting form, filed for compliance purposes, with its "real" planning methodologies being implemented internally in parallel to the LCIRP process. We understand that PSNH, given its competitive position in the electric power generation market, and ongoing litigation with certain intervenors, may be reluctant to provide granular detail regarding its internal business strategies and planning

methodologies. We would expect that PSNH is especially sensitive regarding this issue because its unregulated competitors in the merchant-generation market have no similar requirement to publicly disclose such information. That said, for the integrity and usefulness of the LCIRP process, we expect that in its next LCIRP filing, PSNH will demonstrate that it synchronizes (if even at a general level of detail) the information provided in its LCIRP with its internal business planning.

C. Parameters for Next Full LCIRP Filing

We will now outline the expected parameters of the next full PSNH LCIRP filing, with specificity, to ensure clarity among PSNH, Staff, and other parties, regarding the future scope of the LCIRP process. These parameters relate to each of the elements of the LCIRP statute, RSA 378:38, I-IX. For Element I, a forecast of electrical demand for PSNH's service area, we will require a forecast of such demand and consequential distribution needs forecasting, without regard to energy service provider. We will still require PSNH to file a three-year prospective assessment of demand-side programs as part of Element II, including PSNH's assessment of DSM as providing least-cost resources, to give a three-year planning perspective for such programs, with the understanding that the year-by-year substantive terms of those programs will be determined by the CORE docket. For Element III, an assessment of supply options, we require that PSNH will address the impact of the evolving electricity market in the ISO-New England system and on migration of their Default Service customers (giving special attention to migration data and trends for the most recent three years prior to the LCIRP filing date, and projections for the next three four years, based on this recent data) on PSNH's generating units and other supply options. We view Element IV, an assessment of transmission requirements, to

be within the purview of ISO-New England at the present time, therefore, PSNH will satisfy this Element by reference to the relevant provisions of the Regional System Plan. Similarly, as ISO-New England is examining the issues of diversity of supply resources, discussed in Element V, PSNH will satisfy this Element by reference to ISO-New England's policies on diversity of supply as they relate to PSNH. For Element VI, the integration of supply and demand options, regarding the CORE DSM programs, PSNH need not file additional information. PSNH shall, however, discuss other DSM options in the regional market to the extent they impact PSNH's distribution and/or transmission systems.

For Element VII, we concur that the consideration of other environmental regulations, beyond the Clean Air Act Amendments of 1990, would be very useful as part of the LCIRP process, with the clear understanding that the regulations considered would be those in effect or formally noticed in the Federal Register or New Hampshire Rulemaking Register 60 days or more before the date of the LCIRP filing, even if the impact is beyond the three year planning period covered by the LCIRP. Therefore, we will require PSNH to discuss its compliance with, and integration of, environmental regulations in its planning process generally as part of Element VII for its next full LCIRP filing, including a base case analysis which includes potential costs, of the impact of such noticed rules. We note that the underlying statute for Element VIII, the National Energy Policy Act of 1992, has been considerably modified by the Energy Policy Act of 2005, therefore, we will not require PSNH to file a discussion of its compliance with this Element as part of the next full LCIRP filing.

The final Element IX relates to an assessment of the plan's long- and short-term environmental, economic and energy price and supply impact on the State which, as noted by

PSNH, can be difficult to discern, especially in light of the events of the past decade. With the change from a vertically integrated utility to one that provides a mix of market-based and owned generation, we are scaling back the time frame of the required planning period, to three years. But with the long lead time and expense to comply with many environmental mandates, we are also requiring a better assessment of the impact of those regulations that have been noticed in federal or state registers. To satisfy Element IX, we will require PSNH to present, as part of its next full LCIRP filing, its analysis of the LCIRP's impact on both long- and short-term environmental, economic and energy price and supply impact on the State.

D. Timing of Next LCIRP Filing, Waiver Pursuant to RSA 378:38-a

The recently-opened Commission investigation in Docket No. DE 13-020, regarding the market conditions affecting PSNH and its Default Service customers, and the impact, if any, of PSNH's ownership of generation on the New Hampshire competitive electric market, may address some of the parties' concerns in this LCIRP proceeding more directly. In order to avoid redundancies and resultant unnecessary administrative burden, we therefore waive, pursuant to RSA 378:38-a, PSNH's requirement to file a full LCIRP filing for the upcoming 2013 LCIRP round. However, as specified by RSA 378:38-a, PSNH must file, no later than September 3, 2013, its plans relating to transmission and distribution to satisfy its abbreviated 2013-round LCIRP filing requirements. (The recommendations outlined in Section C above should be viewed as guidelines for the development of the Company's next full LCIRP filing, which will be made subsequent to the resolution of the DE 13-020 investigation, and after PSNH's abbreviated 2013 LCIRP filing).

E. Sierra Club Request for Cost Reimbursement and Evidentiary Ruling

With regard to the Sierra Club request for reimbursement of costs, pursuant to RSA 365:38-a, incurred in this proceeding, we find Sierra Club failed to establish the statutory criteria for recovery, that is, it failed to demonstrate it is a retail customer of PSNH facing financial hardship. Further, Sierra Club failed to establish that it substantially contributed to adoption by the Commission of positions it advocated in the proceeding. *See* RSA 365:38-a for statutory standards. Sierra Club is not a retail customer of PSNH demonstrating financial hardship, therefore, RSA 365:38-a is inapplicable, and we will deny Sierra Club's request. We also deny Sierra Club's request to reconsider our evidentiary rulings made at hearing regarding the Sargent and Lundy report. Sierra Club chose not to explore the report when developing both the direct and rebuttal testimony of its witness Dr. Sahu, such that there was no opportunity for parties to engage in discovery or file responsive testimony. In fairness to all parties, the line of inquiry was stopped. Sierra Club has made no showing that the rulings were unlawful and therefore we deny the request to reconsider.

F. PSNH Motions To Strike CLF Supplemental Filing of November 29, 2012, and Subsequent CLF Objection of December 17, 2012

CLF on November 29, 2012, filed a letter characterizing the "poor economics of Schiller Station" and noting regulatory changes to the Massachusetts Renewable Energy Portfolio Standard. CLF asserted its conclusions regarding Schiller Station Unit 5's inability to certify in Massachusetts under the new standards and asked the Commission to take administrative notice of "each and all of the foregoing" pursuant to Puc 203.27. PSNH objected to the filing on various grounds, both procedural and substantive, and moved to strike. CLF responded to the objection, to which PSNH filed a second motion to strike.

All of this comes six months after close of the evidentiary phase of this docket. The record is closed and CLF has not made a convincing argument why the record should be reopened for consideration of the information contained in its November 29, 2012 filing. The motions to strike are granted.

Based upon the foregoing, it is hereby

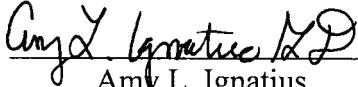
ORDERED, that Public Service Company of New Hampshire's revised Least Cost Integrated Resource Plan filed September 30, 2010 is accepted and found adequate as discussed herein; and it is

FURTHER ORDERED, that Public Service Company of New Hampshire file its next integrated resource plan consistent with the determinations made herein, including the waiver granted pursuant to RSA 378:38-a, on or before September 3, 2013; and it is

FURTHER ORDERED, that the request by Sierra Club of New Hampshire for expense reimbursement pursuant to RSA 365:38-a, and its request for reconsideration of the Commission's evidentiary rulings at hearing, are DENIED; and it is

FURTHER ORDERED, that Public Service Company of New Hampshire's motions to strike are GRANTED, as delineated in this Order.

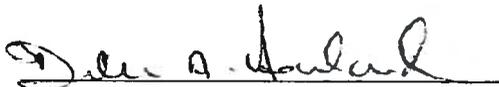
By order of the Public Utilities Commission of New Hampshire this twenty-ninth day of
January, 2013.


Amy L. Ignatius
Chairman


Michael D. Harrington
Commissioner


Robert R. Scott (KNS)
Commissioner

Attested by:


Debra A. Howland
Executive Director