

THE STATE OF NEW HAMPSHIRE
Before the
PUBLIC UTILITIES COMMISSION

Docket No. DE 09-224

**UNITIL ENERGY SYSTEMS, INC. REQUEST FOR APPROVAL OF
RENEWABLE DEFAULT ENERGY SERVICE RATE**

Partial Settlement Agreement

This Settlement Agreement is entered into this 31st day of March, 2010, between the Staff of the Public Utilities Commission (“Staff” and Unitil Energy Systems, Inc. (UES or “the Company”) (together hereinafter referred to collectively as “the Settling Parties”). This Settlement Agreement resolves all issues between the Settling Parties regarding UES’ request for approval of a renewable default energy service rate in this proceeding, except for the issue presented in Section C.

A. INTRODUCTION

On November 12, 2009, UES filed with the Commission the testimony and attachments of Robert S. Furino, Director of Unitil Service Corp.’s Energy Contracts department, describing a new renewable default energy service rate option. The filing included proposed tariff pages. UES made the filing in response to the passage of House Bill 395 in the 2009 legislative session (2009 NH Laws 236). House Bill 395 reenacted RSA 374-F:3,V(f), which made it optional for New Hampshire electric utilities to offer a renewable default energy service option; the statute now requires New Hampshire electric utilities to offer a renewable default energy service option for its customers. UES is prepared to begin offering the program approximately 16 weeks after obtaining Commission approval.

The OCA notified the Commission on December 1, 2009 that it would be participating in this docket on behalf of residential ratepayers.

On January 1, 2010, the Commission issued Order No. 25,066 which suspended the proposed tariff pages filed on November 12, 2009 in order to conduct a thorough investigation before rendering a decision. Order No. 25,066 also scheduled a prehearing conference, which was immediately followed by a technical session on January 28, 2010. On February 3, 2010, the Commission issued a secretarial letter approving a procedural schedule which included an opportunity for data requests and a technical session. The OCA and Staff issued data requests on February 5, 2010 and met with UES in a technical session on March 11, 2009. Staff requested, and the Commission granted, an extension of time in which to file any settlement agreement. Settlement discussions ensued and draft settlement documents were exchanged which resulted in the Settling Parties reaching this partial settlement agreement.

B. SETTLEMENT OF RENEWABLE DEFAULT ENERGY SERVICE RATE OPTION

The Settling Parties recommend the Commission approve the renewable default energy service rate option as described in the Testimony of Robert S. Furino as amended by this Settlement Agreement and described below.

1. UES' Program Description

Under UES' Renewable Default Energy Service rate, UES' customers will be provided with the opportunity to support the development of renewable sources of generation in New England. On behalf of participating customers, UES will purchase and retire, renewable energy certificates (RECs) from facilities that are certified as Class I or Class II generation resources under NH RSA 362-F:4, I and II, the New Hampshire

Electric Renewable Portfolio Standard (NHRPS). Class I generation resources are defined as new renewable resources that began operation after January 1, 2006. Examples include: wind energy, geothermal energy, hydrogen derived from biomass fuels or methane gas, ocean thermal or tidal energy and methane gas. Class II generation resources are defined as new solar technologies that began operation after January 1, 2006. In addition, UES will only purchase RECs that can be used for compliance with Admin. Rule Puc 2500.

As set forth in its proposed Renewable Source Option (RSO) Tariff, NH PUC No. 3, Original Pages 108 and 109, UES will offer three renewable source options (RSOs) to its customers: 1) a 25% option; 2) a 50% option; and 3) a 100% option. Under those options, UES will purchase and retire RECs to match 25%, 50% or 100% of the customer's actual energy use, respectively, depending on the option selected by the customer. Customers taking the RSO will be billed at the Default Energy Service rate plus an additional charge (in cents per kilowatt-hour) for the RSO based on the renewable option chosen. As of the date of this Partial Settlement Agreement, UES' rate estimates for the RSO choices are as follows: 100% = 3 cents/kWh; 50% = 1.5 cents/kWh; and 25% = .75 cents/kWh.

UES agreed to modify its proposal as follows: the Company will not make any adjustment in its RSO REC procurement to account for transmission and distribution losses between the Company's wholesale tie points and customer meters in determining the proper number of RECs to acquire.

UES will limit the RSO program to customers taking domestic service (Rate Class D) and regular generation service (Rate Class G2) under UES' default service tariff and

who are not enrolled in UES' Low-Income Electric Assistance Program (LI-EAP) or approved to receive payment assistance through the Fuel Assistance Program (FAP) administered by a Community Action Agency because these funds are limited and introducing an additional charge for the RSO program would further burden the fund and reduce the availability of assistance to other customers on the waiting list for the assistance programs. The RSO will not be available to customers other than Classes D or G2 as discussed in Section C below.

2. Marketing and Promotion Costs

The Settling Parties agree to seek Commission approval to recover the incremental marketing and promotion costs (such as the cost of outside services and the cost of materials used for marketing and promotion of the new rate) through UES' Distribution rates. The Settling Parties agree that, for the first year of the RSO program as proposed, external start up and administrative costs will be capped at \$50,000. External annual ongoing promotion and customer communication costs will not exceed \$20,000 per year. This provision will be reviewed after the first year of the program and adjusted as appropriate. *See* Section B. 5. below. The above-referenced costs do not include additional costs that would be incurred if UES were to include Rate Class G1 and outdoor light service customers in the RSO program.

3. Initiation of Service under the Renewable Default Energy Service Option

The initiation of service under a renewable default energy service option shall occur upon a regularly scheduled meter reading date. At the time a customer contacts UES to initiate service, service will begin upon the customer's next meter read date that is at least two business days after the request is made.

Customers will be able to enroll or withdraw from the RSO program by calling UES' customer service call center or by electronically submitting requests through the Company's website. A customer who chooses to submit an enrollment or a withdrawal request will be required to do so at least 2 business days prior to their next scheduled meter read date for the request to take effect on that read date.

4. Filing of Tariff Pages

If this partial settlement agreement is approved, UES will file tariff pages for effect 120 days after the approval date. The tariff pages will be accompanied by testimony or a technical statement explaining the calculation of the rates for the three options and a projection of the prices for Class I and Class II Renewable Energy Certificates that were used to establish the rates. Subsequent tariff changes, if necessary, will be filed and accompanied by testimony or a technical statement explaining the derivation of the rates for the three options and a projection of the prices for Class I and Class II Renewable Energy Certificates. The Parties agree that any subsequent tariff changes will be for effect on either May 1 or November 1, beginning in 2011, or will otherwise coincide with Default Energy Service rate changes for the Company's residential and small commercial customer classes.

UES agrees to reconcile any over- or under collections in the RSO rate in the next RSO rate and not in its Default Energy Service rates. If any over- or under-collection would result in a negative RSO or in a RSO rate that would result in RSO rates that would likely discourage participation in the RSO program, UES agrees to seek the approval of the Commission to include any such over- or under-collection in its Default Energy Service rates.

5. Program Review

In addition to the quarterly reports UES proposed in its filing, the Company shall make a report to the Commission and the OCA after the program has been in place for twelve months, providing details of program participation in each of the three rate options and all incremental marketing and promotion costs associated with the program.

Following receipt of the report, the Staff, OCA, UES and other interested parties will confer and consider possible changes to the rate or other aspects of the RSO program.

C. ISSUE PRESENTED FOR RESOLUTION BY THE COMMISSION

As filed, UES plans to exclude its large general service (Rate Class G1) customers and outdoor light service (Rate Class OL) who take default service from UES and not from a competitive supplier from electing the RSO. RSA 374-F:3,V(f)(2) states that “a utility shall provide to its customers one or more [Renewable Energy Service] RES options, as approved by the commission, which may include RES default service provided by the utility or the provision of retail access to competitive sellers of RES attributes.” The Commission has previously decided that a utility is not required to offer a renewable service option to its customers taking energy from a competitive supplier.

See Order No. 25,080 (March 5, 2010) in Docket No. DE 09-186, Public Service Company of New Hampshire, Proposed Renewable Default Energy Service Rate.

Because UES proposes not to make the RSO available to its large general service (Rate Class G1) customers and outdoor light service (Rate Class OL) who take default service from UES, Staff and OCA take no position on this aspect of UES’ proposal and defer this for Commission determination. If the Commission determines that these customers must

be included UES' RSO program, the parties agree that UES will be allowed to recover all costs associated with including these customers in the RSO program.

D. MISCELLANEOUS PROVISIONS

The Settling Parties agree to the following miscellaneous provisions:

1. Binding on Settling Parties

The Settling Parties agree to support the terms and conditions contained herein.

The Settling Parties understand that this Settlement Agreement is subject to Commission approval.

2. Integrated Terms of Settlement

This Settlement Agreement represents an integrated resolution of issues.

Accordingly, the effectiveness of this Settlement Agreement is conditioned upon the Commission adopting this Settlement Agreement in its entirety, without condition or modification. If the Commission does not approve this Settlement Agreement in its entirety and without modification or condition, the Settling Parties shall have an opportunity to amend or terminate this Settlement Agreement.

If terminated, this Settlement Agreement shall be deemed withdrawn and shall not constitute a part of the record in any proceeding or be used for any purpose.

3. Procedure

The Settling Parties shall cooperate in submitting this Settlement Agreement promptly to the Commission for approval so that the new RSO rates may be established as soon as possible. The Settling Parties shall make a witness or witnesses available as necessary to answer questions in support of this Settlement Agreement, or provide such other indication of support as the Commission requests. The Settling Parties agree to

cooperate, in good faith, in the development of such other information as may be necessary to support and explain the basis of this Settlement Agreement and to supplement the record accordingly.

4. Execution

This Settlement Agreement may be executed by the Settling Parties in several counterparts, through original and/or facsimile signature, and as executed shall constitute one agreement.

5. Confidentiality

The discussions which led to this Settlement Agreement have been conducted on the explicit understanding that all offers of settlement relating thereto are and shall be confidential, 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 connection with any future proceeding or otherwise.

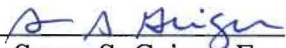
WHEREFORE, the Settling Parties recommend that the Commission issue an order approving a renewable service option as described in the Testimony of Robert S. Furino and as amended by this Settlement Agreement.

Respectfully submitted,

**Staff of the New Hampshire
Public Utilities Commission**

By: 
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By its Attorneys
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