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N.H.P.U.C. Case No.	DE 11-184
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Witness	Panel 1
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THE STATE OF NEW HAMPSHIRE  
BEFORE THE  
PUBLIC UTILITIES COMMISSION

Public Service Company of New Hampshire  
Distribution Service Rate Case  
Docket No. DE 09-035

**SETTLEMENT AGREEMENT ON  
PERMANENT DISTRIBUTION SERVICE RATES**

This Settlement Agreement On Permanent Distribution Service Rates (“Settlement Agreement”) is entered into this 30th day of April, 2010, by and among Public Service Company of New Hampshire (“PSNH”), the Staff of the New Hampshire Public Utilities Commission (“Staff”), and the Office of Consumer Advocate (“OCA”) (collectively, the “Settling Parties”), and is intended to resolve all of the issues in PSNH’s Distribution Service rate case, Docket No. DE 09-035. This Settlement Agreement contains the recommendations of the Settling Parties with respect to the New Hampshire Public Utilities Commission’s approval of PSNH’s permanent distribution service rate levels and specific rate design modifications.

**SECTION 1. INTRODUCTION AND PROCEDURAL HISTORY**

1.1 On April 17, 2009, PSNH filed a petition and testimony supporting a request for temporary rates pursuant to RSA 378:27. The petition requested an order approving an increase in annual distribution revenues of \$36.4 million, to become effective as temporary rates on July 1, 2009. The original Order of Notice was subsequently reissued and published calling for a prehearing conference on June 10, 2009 and a hearing on temporary rates on July 13, 2009. At the prehearing conference on June 10, Unitil Energy Systems, Inc.’s petition for intervention was granted, subject to its request for only a limited level of participation. OCA was made a statutory party. Discovery requests were answered by PSNH, and the Settling Parties met in technical sessions on the temporary rate request on May 13 and June 10, 2009. Settlement conferences on the temporary rate request were held at the Commission’s headquarters on June 25, 2009 and July 2, 2009, which resulted in PSNH and Staff reaching agreement on temporary rate issues. At the hearing on July 13, 2009, a Stipulation and Settlement Agreement Regarding Temporary Rates was presented asking for Commission approval of a temporary annual rate increase of \$25,611,000, calculated by adjusting all of PSNH’s current distribution rates and charges by a uniform percentage, as computed in the temporary rate Stipulation and Settlement Agreement. The OCA did not oppose the settlement. On July 31, 2009, the Commission issued Order No. 24,997 approving the Stipulation and Settlement on Temporary Rates. PSNH’s annual Delivery Service rates were adjusted on a temporary basis effective August 1, 2009, by \$25,611,000, including the commencement of recovery of \$6,000,000 per year attributable to the December 2008 ice storm.

1.2 On May 29, 2009, pursuant to N.H. Code of Admin. Rules Puc §1604.05, PSNH filed a Notice of Intent to File Rate Schedules and Petition for Permanent Delivery Rates.

PSNH's Tariff to clarify that master metering of new or renovated residential buildings was prohibited. The Staff maintains that the Commission rules require master metering except in a limited number of circumstances. PSNH's position is that master metering is inconsistent with the International Energy Conservation Code 2000 adopted by statute and the Commission's rules. In order to resolve this disagreement, PSNH will file a request for interpretation of the existing rule, and, if necessary, a waiver from that portion of the Commission's rules that the Staff believes requires master metering.

11.5 Due to the growing interest in light emitting diode (LED) lighting technology, PSNH agrees to monitor developments with the technology and the applicable rating standards. Nothing in this agreement shall prohibit PSNH or another party from proposing the implementation of tariff pages applicable to LED outdoor lighting.

## **SECTION 12. EXOGENOUS EVENTS**

12.1 During the term of this Settlement Agreement, PSNH will be allowed to adjust distribution rates upward or downward resulting from Exogenous Events, as defined below.

12.2 For any of the events defined as a State Initiated Cost Change, Federally Initiated Cost Change, Regulatory Cost Reassignment, or Externally Imposed Accounting Rule Change, during the term of this Settlement Agreement, PSNH will be allowed to adjust distribution rates upward or downward (to the extent that the revenue impact of such event is not otherwise captured through another rate mechanism that has been approved by the Commission) if the total distribution revenue impact (positive or negative) of all such events exceeds \$1,000,000 (Exogenous Events Rate Adjustment Threshold) in any calendar year beginning with 2010.

12.2.1 "State Initiated Cost Change" shall mean:

(i) any externally imposed changes in state or local law or regulatory mandates or changes in other precedents governing income, revenue, sales, franchise, or property or any new or amended regional, state or locally imposed fees (but excluding the effects of routine annual changes in municipal, county and state property tax rates and revaluations), which impose new obligations, duties or undertakings, or remove existing obligations, duties or undertakings, and which individually decrease or increase PSNH's distribution costs, revenue, or revenue requirement.

12.2.2 "Federally Initiated Cost Change" shall mean:

(i) any externally imposed changes in the federal tax rates, laws, regulations, or precedents governing income, revenue, or sales taxes or any changes in federally imposed fees, which impose new obligations, duties or undertakings, or remove existing obligations, duties or undertakings, and which individually decrease or increase PSNH's distribution costs, revenue, or revenue requirement.

12.2.3 Regulatory Cost Reassignment: The distribution rate changes shown in Section 2 are based on the separation of costs among generation, transmission, and distribution functions of PSNH in place on the date of this Settlement Agreement. "Regulatory Cost Reassignment" shall mean the reassignment of costs and/or revenues now included in the generation, transmission, or distribution functions to or away from the distribution function by the Commission, FERC, NEPOOL, the ISO or any other official agency having authority over such matters.

12.2.4 "Externally Imposed Accounting Rule Change" shall be deemed to have occurred if the Financial Accounting Standards Board or the Securities and Exchange Commission adopts a rule that requires utilities to use a new accounting rule that is not being utilized by PSNH as of January 1, 2010.

12.3 Excessive Inflation: If the average rate of inflation from January 1, 2011 through December 31, 2013, measured by annual changes in the "Gross Domestic Product Implicit Price Deflator," exceeds 4%, or if the average annual rate of inflation from January 1, 2011 through December 31, 2014 exceeds 4%, PSNH will be allowed, pursuant to the procedure described below, to increase its distribution revenues effective July 1, 2014 and/or July 1, 2015, respectively. The amount of increase to distribution revenue shall be equal to the amount by which such average inflation rate exceeds 4% multiplied by actual O&M expense in calendar year 2012 and/or 2013, respectively, excluding O&M expenses under PSNH's REP.

12.4 No later than March 31 of each year during the term of this Settlement Agreement, PSNH shall file with the Commission, Staff and OCA a Certification of Exogenous Events for the prior calendar year. If, in the prior calendar year, PSNH incurs any changes in distribution costs, revenue, or revenue requirement in excess of the Exogenous Events Rate Adjustment Threshold in connection with any Exogenous Event as defined in Paragraph 12.2, PSNH shall provide specific and sufficient detail supporting each change and the Exogenous Event(s) associated with each change for the Commission, Staff and OCA to assess the proposed Exogenous Event rate adjustment. If no Exogenous Events causing changes in excess of the Exogenous Events Rate Adjustment Threshold occurred during the prior calendar year, PSNH shall certify that fact in its annual Certification of Exogenous Events. On or before May 1 of each year during the term of this Settlement Agreement, the Staff and the OCA may make a filing requesting an Exogenous Event rate decrease or contesting an Exogenous Event rate increase proposed by PSNH. Any adjustments to revenue requirements for Exogenous Events: (1) shall be subject to review and approval as deemed necessary by the Commission; (2) shall be implemented for usage on and after July 1 of that year; and (3) shall be allocated among PSNH's rate classes on a proportional basis based on total distribution revenue by class in effect at the time of the adjustment. Any such filings are limited to one per calendar year, provided that any costs incurred or saved due to such Exogenous Events shall be deferred for consolidation in the single filing.

12.5 PSNH will not make any filing seeking an adjustment that increases the rates under this Section during any period in which the provisions of Section 4.4 have been triggered.

12.6 Any Exogenous Event adjustment made during the term of this Settlement Agreement will remain in rates only through the effective date of the new rates determined in the Commission's first distribution rate proceeding following the end of the term of this Settlement Agreement.

### **SECTION 13. TERM**

13.1 This Settlement Agreement shall become effective upon Commission approval for the implementation of new permanent distribution rates on July 1, 2010 and terminate on June 30, 2015, unless terminated sooner under the provisions of Section 4 herein or by mutual agreement of the Settling Parties and approval by the Commission.

### **SECTION 14. MISCELLANEOUS PROVISIONS**

14.1 PSNH shall account for and recover the costs associated with programs funded by the System Benefits Charge (SBC) (i.e., low-income electric assistance program, CORE energy efficiency programs) through the budgets related to these respective programs. Costs related to the SBC-funded programs shall not be recovered through distribution rates.

14.2 The rate base proposed in this proceeding includes the PSNH Energy Park solar photovoltaic installation in Manchester. The revenue requirements under this Settlement Agreement have been reduced to reflect the value of the energy and Renewable Energy Certificates produced by the solar array. The Settling Parties were unable to agree on the issue of whether PSNH was required to seek and obtain Commission approval of this investment prior to installation, or the issue of whether the investment in this project was prudent. Parties may raise these issues in the future. In the event that the costs associated with this project are disallowed by the Commission, PSNH may retain the value of the energy and Renewable Energy Certificates produced by the project.

14.3 PSNH will file both an embedded cost of service study and a marginal cost of service study with the filing of its next distribution rate case.

14.4 PSNH will annually file a report on executive compensation in the same format and with the same type of information as required in Connecticut for that state's regulated utilities. *See* CT DPUC Order in Docket 08-01-16, Petition of Richard Blumenthal, Attorney General for the State of Connecticut, for Standardized Disclosure of Utility Executive and Officers Compensation, dated December 3, 2008.