

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 07-106

2008 CORE Energy Efficiency Program

Order Following Hearing

ORDER NO. 24,815

December 28, 2007

APPEARANCES: Gerald M. Eaton, Esq. for Public Service Company of New Hampshire; Dewey & Leboeuf LLP, by Maebh Purcell, Esq. for Unitil Energy Systems; Alexandra E. Blackmore, Esq., for Granite State Electric Company d/b/a National Grid; Devine, Millimet & Branch, P.A. by Robert Dunn, Esq. for New Hampshire Electric Cooperative; Rubin & Rudman, LLP, by Rebecca L. Tepper, Esq. for Wal-Mart Stores East, LP; New Hampshire Legal Assistance by Alan Linder, Esq. for The Way Home; Dana Nute for the Community Action Association; Patrick Arnold for Campaign for Ratepayers' Rights; D. Dickinson Henry, Jr. for The Jordan Institute; Jack K. Ruderman, Esq. for the Office of Energy and Planning; Office of Consumer Advocate by Meredith A. Hatfield, Esq. on behalf of residential ratepayers; and F. Anne Ross, Esq. of the Staff of the New Hampshire Public Utilities Commission.

I. PROCEDURAL HISTORY

On September 20, 2007, Wal-Mart Stores East, L.P. (Wal-Mart) filed a letter asking the Commission to review the treatment of capacity payments and environmental credits in connection with the utility-provided, statewide "CORE" energy efficiency programs funded by customers through the system benefits charge authorized by RSA 374-F:3, VI. Wal-Mart requested that the Commission determine that it and other owners of energy efficiency projects receiving CORE rebates be permitted to retain any applicable capacity payments and environmental credits.

On September 28, 2007, Granite State Electric Company d/b/a National Grid (National Grid), New Hampshire Electric Cooperative, Inc. (NHEC), Public Service Company of New Hampshire (PSNH) and Unitil Energy Systems, Inc. (Unitil) (collectively, the Utilities) filed a

joint proposal for the 2008 CORE energy efficiency programs. The Commission opted to consolidate proceedings on the 2008 CORE proposal with those in connection with the Wal-Mart letter.

On October 10, 2007, the Commission issued an Order of Notice scheduling a pre-hearing conference on October 19, 2007 and establishing a procedural schedule for the duration of this docket. On October 12, 2007, the Office of Consumer Advocate (OCA) entered an appearance on behalf of residential ratepayers pursuant to RSA 363:28. The Commission received intervention requests from the Community Action Association (representing the state's community action agencies), Wal-Mart, the Campaign for Ratepayers' Rights (CRR), The Way Home (a nonprofit organization concerned with homelessness), the Office of Energy and Planning (OEP) and the Jordan Institute.

On October 19, 2007, the Commission conducted a pre-hearing conference and granted all pending requests to intervene. The Parties and Staff met in a technical session following the pre-hearing conference and agreed upon revision of the Commission's procedural schedule. On October 22, 2007, Staff filed a letter summarizing the parties' recommended changes to the procedural schedule. By secretarial letter dated October 23, 2007, the Commission adopted the amended procedural schedule recommended by the Parties and Staff. The Conservation Law Foundation filed an intervention request on October 24, 2007.

Written discovery ensued according to the procedural schedule. On November 19, 2007, and December 10, 2007, the Parties and Staff met for additional technical sessions.

On November 27, 2007, the OCA and The Way Home filed testimony, as did Wal-Mart and CAA the following day. The Utilities filed a joint motion on December 10, 2007 seeking a determination that they could recover, through the CORE programs, the prudently incurred costs

of participating in the newly created, regional Forward Capacity Market to the extent that efficiency measures installed as part of the CORE programs qualify for such payments.

The Utilities filed rebuttal testimony on December 12, 2007. On the same date, PSNH filed a settlement agreement on behalf of National Grid, NHEC, PSNH, Unutil, the Community Action Association, The Way Home, Wal-Mart, the Jordan Institute, CRR, OEP, OCA and Staff. On December 17, 2007, the Commission held a hearing on the proposed settlement agreement. At the conclusion of the hearing, the Commission allowed the parties to file written closing statements and on December 19, 2007, National Grid, PSNH, The Way Home, CRR, OCA, Wal-Mart and Staff did so.

II. POSITIONS OF THE PARTIES

A. Summary of the 2008 CORE Proposal

In their 2008 CORE Proposal, the Utilities recommended maintaining the current menu of statewide CORE program offerings: (1) the Energy Star Homes program, (2) the Home Energy Solutions program, (3) the Energy Star Lighting program, (4) the Energy Star Appliance program, (5) the Home Energy Assistance Program for low income customers, (6) the New Equipment and Construction program for large commercial and industrial (C&I) customers, (7) the Large C&I Retrofit program, (8) the Small Business Energy Solutions program for small C&I customers, and (9) certain educational programs.

The Utilities also proposed to continue certain utility-specific programs available only in their individual utility service territories: (1) NHEC's load management system, SmartStart program and High Efficiency Heat Pump program, (2) PSNH's specific adaptations of programs for C&I customers as well as its Smart Start program, Geothermal Option program enhancement for Energy Star Homes, low income energy efficiency enhancement, Heatsmart, educational

program partnerships targeted to C&I customers, and PSNH's pilot program of requests for proposals for energy efficiency services to C&I customers to promote competitive market development, and (3) Unitil's energy efficiency website and web-based Audit Tools program.

In their 2008 filing, the Utilities recognized an emerging role for monitoring and evaluation. In *Devon Power LLC*, 115 FERC ¶ 61,340 (June 16, 2006), the Federal Energy Regulatory Commission (FERC) approved the creation of a regional Forward Capacity Market to be overseen by grid operator ISO New England. Energy efficiency measures installed after June 16, 2006, and which can be demonstrated to be operational during hours of peak electrical usage, are eligible to receive capacity payments through the FCM and its associated transition mechanism.

The Utilities stated that measurement and verification will be used to evaluate the impact of efficiency measures at the time of system peak and thus the capacity value that will be used in determining any applicable transition payments or bids into the Forward Capacity Market. As currently drafted, ISO-NE rules provide that state utility commissions are responsible for approving measurement and verification plans for efficiency measures installed through programs under their jurisdiction. The Utilities maintained that they will continue to work with Staff and other interested parties to ensure that the CORE programs' monitoring and evaluation efforts evolve in such a way that they are consistent with ISO New England measurement and verification requirements in order to minimize expense and possible duplication of effort.

Continuing the policy approved by the Commission in 2007, the Utilities recommended that in 2008 kW demand savings achieved by these energy efficiency programs be reported by the utilities to ISO New England as Other Demand Resources (ODR). *See* Order No. 24,719 (December 22, 2007), slip op. at 10. Under the Utilities' 2008 CORE proposal, customers

participating in these energy efficiency programs would be required to forego any associated capacity payments, instead allowing the relevant electric utility to report the energy savings and collect associated capacity payments on behalf of all customers. All such capacity payments received would be used to supplement the Utilities' energy efficiency program budgets.

The Utilities proposed to continue the CORE Program management team (established in the first settlement agreement in *Concord Electric Company*, 87 NH PUC 378, 383 (2002)) to coordinate and oversee all CORE program activities, provide quarterly reports, participate in meetings with the parties and Staff, and resolve problems as they arise. The management team will continue to comprise representatives from each utility and will make decisions by consensus with one member specifically designated as the liaison with the parties and Staff.

The Utilities recommend that they continue to earn a "performance incentive" for utility shareholders, consistent with *Electric Utility Restructuring Energy Efficiency Programs*, 85 NH PUC 684, 694 (2000) and *Energy Efficiency Programs for Gas and Electric Utilities*, 88 NH PUC 401, 405 (2003). Under the mechanism authorized by these orders, three factors influence the level of incentive earned: (1) the size of the budget; (2) the ratio of the actual benefit-to-cost ratio achieved to the predicted benefit-to-cost ratio; and (3) the ratio of the savings achieved to the predicted kWh savings. The proposed performance incentive authorizes the Utilities to earn an incentive of up to 12 percent. The Utilities continue to budget for an 8 percent incentive, which is taken out of the overall program budget if certain goals and requirements are met.

The Utilities also proposed the continuation of a multi-year approval process whereby customers with multi-year projects could receive a commitment from their utility, notwithstanding the year-by-year CORE Programs approval by the Commission. In the 2008 CORE Proposal, the Utilities specifically requested authorization to make customer

commitments for projects to be completed in 2008, 2009, and 2010. All customer classes currently eligible to participate in the CORE Programs would be eligible. The Utilities stated that they will make commitments to customers who have presented definitive plans for projects to be completed in subsequent years. The energy efficiency measures will include those measures that are approved under the then-existing CORE Programs and utility-specific programs. All 2008 program guidelines and rules will apply to the 2009 and 2010 commitments. Customers receiving commitments in 2008 will not be barred from participating in any new programs introduced in 2009 and 2010 which supplement or supplant the existing programs, subject to any limits on the dollar amount that a single customer may receive under the 2009 and 2010 programs. The funds will be paid out of the 2009 and 2010 budget amounts, respectively; however, the commitment to the customer will be made contingent upon the continuation of funding.

The Utilities further proposed the continuation of the budget adjustment guidelines currently in place, which preclude movement of funds between the residential and commercial sectors unless specifically approved by the Commission. Budget transfers between individual programs within a customer sector of up to 20 percent of the individual program's budget may be made without Commission approval but Staff and interested parties must be notified. Budget transfers between individual programs within a single customer sector of greater than 20 percent of the individual program's budget must be filed with the Commission. Staff and interested parties may file any comments with the Commission within two weeks of the filing. If no action has been taken by Staff and interested parties, the budget transfer request shall be deemed approved unless the Commission notifies the company of the need for a more in-depth review

within thirty (30) days of the filing. Notwithstanding the above, no funds may be transferred out of the Home Energy Assistance Program without prior approval by the Commission.

The Utilities reported that the CORE programs are evolving in response to changing technologies, market conditions, program evaluations and new standards, as well as input from customers and other interested parties. For example, as the retail price of compact fluorescent lighting decreased, rebate levels were reduced. Also, as T8 fluorescent lighting took a larger share of the new construction market, and in response to a program evaluation, rebates for T8 lighting for larger customers were dropped in favor of providing incentives for the even more efficient high-performance (super) T8 lamps with electronic ballasts. The Utilities indicated that additional promotion and training is being developed to increase the awareness and sales of these new lights. In addition, the incentive structure for the Energy Star Homes program changed to provide higher incentives for performance improvements, along with reductions in appliance rebates.

Chapter 298 of the 2005 New Hampshire Laws authorized reallocation of CORE Program energy efficiency funds to the Electric Assistance Program in light of increases in energy costs. As a result, the 2008 CORE budgets for NHEC and PSNH have been reduced by \$86,112 and \$935,077, respectively, each representing one-third of the amount reallocated.¹ Generally, the reductions have been made equally across customer classes. The two companies expect to make similar reductions to their 2009 budgets.

¹ In response to the 2005 legislation, the PUC reviewed the Energy Assistance Program and adopted a new design to provide lower benefit levels to more customers, in order to serve 30,000 households. That change is expected to reduce the need to shift funds from efficiency to EAP in the future. See *State-Wide Electric Assistance Program*, ___ NH PUC ___ (2006) (Slip Op. at 11 Order No. 24,664, September 1, 2006).

Overall, the Utilities seek authority to spend \$17,321,647 on statewide CORE programs in 2008. According to their filing, they predict these expenditures will yield 594,927,811 in lifetime kilowatt-hour savings.

B. Recovery of Forward Capacity Market Costs - Motion by Utilities

On December 10, 2007, the Utilities filed a joint motion seeking recovery of prudently incurred Forward Capacity Market costs. The Utilities proposed that all costs of administration including providing the requisite financial assurances be recovered, first as an offset to the funds received through the Forward Capacity Market, and second, as an offset to the funds that are collected under the System Benefits Charge, in the event that revenues from the capacity markets do not exceed prudent costs.

C. Summary of the Settlement Agreement

The Settlement Agreement entered into among National Grid, NHEC, PSNH, Unitil, the Community Action Association, The Way Home, Wal-Mart, the Jordan Institute, CRR, OEP, OCA and Staff calls for Commission approval of the 2008 CORE programs.

The signatories agreed to meet quarterly to review the CORE programs. These meetings will take place after the quarterly reports have been received and reviewed, and will include analysis and discussion of topics, including but not limited to: (1) a review of program performance, as reported in the quarterly reports, (2) coordination of program delivery with the gas utilities' energy efficiency programs, (3) carryover funds issues, (4) education and outreach, (5) the appropriate method of allocating ISO New England capacity market payments to the CORE programs, (6) evaluation plans and evaluation studies, (7) discussion of activities planned for the future, and (8) an opportunity for the parties and Staff to provide input and suggestions to the Utilities.

The Parties and Staff agree that the Jordan Institute would have an opportunity to meet with the Utilities to discuss financing of energy efficiency projects. The discussions will focus on Smart Start as well as other on-bill financing alternatives. The goal of those meetings will be to develop consensus recommendations on expanded project financing alternatives. The meetings will be open to all interested parties and Staff. The New Hampshire gas utilities would also be invited to attend these discussions.

The Utilities agreed to meet with the gas utilities and to develop recommendations to improve coordination of energy efficiency services to New Hampshire customers with both gas and electric services. The Utilities will provide a report on progress at the first quarterly meeting for 2008.

The signatories recommend acceptance of the budget as filed by Unitil and of the amended 2008 Home Energy Assistance Program budgets for National Grid and PSNH. The Commission approved, by Secretarial Letter dated December 10, 2007, National Grid's proposal to amend its 2008 budget to include an increase of \$40,000 to its low-income Home Energy Assistance program budget and \$29,000 to its Energy Star Home program budget. The signatories also recommend acceptance of NHEC's amendment of its 2008 budget for Home Energy Assistance by adding \$20,000, resulting in a total budget for this program of \$148,421, with a corresponding reduction in other areas of NHEC's energy efficiency budget.

The signatories agreed to meet and discuss the appropriate level of funding for the Home Energy Assistance program for 2009 CORE programs, with a goal of establishing a formula or guidelines for proposing a Home Energy Assistance budget for each electric utility by the second quarterly meeting. The first such meeting to discuss the Home Energy Assistance program budgets will take place in mid January 2008.

PSNH previously provided assistance to low-income electric space heating customers in the Home Energy Assistance program to convert to the Heatsmart interruptible rate program. Eligible customers received an average of \$1,250 per household to install the necessary equipment to qualify for the Heatsmart rate. PSNH agrees to close this portion of the Home Energy Assistance program for new customers and to transfer approximately \$45,000 to other programs within PSNH's Home Energy Assistance program budget. The customers previously served under this portion of the Home Energy Assistance program would continue to be eligible to take service under PSNH's Heatsmart rate.

Staff circulated a draft Request for Proposal (RFP) for a comprehensive study of the CORE programs entitled "Quantifying the Remaining Electric Energy Efficiency Opportunities in New Hampshire." The signatories agreed that OCA may participate in the selection process for the winning bid.

National Grid agreed to consider an approach consistent with one or more of the other utilities with respect to the provision of health and safety measures and window replacement measures on an individual, case-by-case basis.

In order to document the modifications to the 2008 CORE Proposal agreed to in the Settlement, the signatories proposed that a complete, clean, final version of the 2008 CORE Proposal with updated appendices be submitted following the Commission's final decision on the merits.

Certain contested issues, however, remain unresolved by the proposed settlement.

D. Positions of Parties and Staff on Contested Issues

1. Forward Capacity Market and Future Emissions Credits

a. Utilities

The Utilities proposed to continue the practice of requiring applicants for CORE program incentive payments to forego payments from the ISO New England capacity market. As provided for in the 2007 CORE Programs filing approved by the Commission in Order No. 24,719, the Utilities require CORE program participants to forego capacity payments from the ISO-NE capacity markets. During 2007 any such payments received by the Utilities were used to supplement the Utilities' CORE program budgets. In addition, Wal-Mart stated in its pre-filed testimony that PSNH had required it to release its right to any emission credits resulting from energy efficiency measures funded in part by the CORE programs rebate.

In its pre-filed rebuttal testimony, PSNH explained that CORE rebates are designed to motivate customers to take actions. If those rebates are sufficient to cause a customer to invest in an energy efficiency measure, then PSNH argued that any additional payment would be more than the amount necessary to cause the energy efficiency investment. Since customers ultimately pay for the capacity markets through their energy costs, PSNH reasons that capacity payments to customers receiving CORE rebates cause customers to pay twice, or to pay in excess of the amount needed to cause investment in the energy efficiency measure. PSNH also pointed out that by returning the capacity payments to the CORE program budgets the Utilities would be increasing investment in energy efficiency. According to PSNH, if capacity payments were collected by the customer installing the CORE funded energy efficiency measure there would be no assurance that those payments would be used for additional energy efficiency investment.

b. The Way Home, Office of Consumer Advocate and Campaign for Ratepayers Rights

OCA, The Way Home and CRR all supported the Utilities' proposal that ISO New England capacity payments, as well as any future emission credits, relating to measures receiving CORE rebates, be collected by the Utilities and returned to the CORE program budgets.

c. Wal-Mart

Wal-Mart maintains that it, and similarly situated customers, should be allowed to receive incentive payments through the CORE programs without having to relinquish any rights to payments from the ISO-NE capacity markets, or other associated future benefits flowing from the customer's demand reductions including, but not limited to, environmental credits. Wal-Mart contends that allowing the Utilities to claim Forward Capacity Market payments, as well as future environmental credits associated with CORE energy efficiency measures, transfers a right that currently resides with individual customers to the CORE programs. Wal-Mart contends that the loss of its right to obtain Forward Capacity Market payments and environmental credits associated with its demand reductions is unfair in light of Wal-Mart's annual contribution of \$300,000 in annual System Benefits Charge payments. Wal-Mart notes that there is no credit against the System Benefits Charge for capacity payments or other credits paid back to the CORE programs by customer installed measures. Thus, Wal-Mart claims that eliminating the customer's right to claim FCM and environmental payments amounts to an additional charge on customers.

Wal-Mart contends that participation in the CORE program rebates as well as the Forward Capacity Market does not amount to double recovery because all customers should have the right to participate in these two separate programs. Wal-Mart states that if it is allowed to participate in the Forward Capacity Market and the CORE programs it will put more investment into energy efficiency at its New Hampshire facilities. Since Wal-Mart elected not to participate in the CORE rebates for its energy efficiency installations so that it could take advantage of Forward Capacity Market and other potential payments, Wal-Mart asserts that it has been unfairly denied the benefits of the CORE programs. Finally, Wal-Mart points out that although

the commercial industrial sector accounts for over 80 percent of the demand reductions resulting from the CORE programs the Utilities are only proposing to return approximately 60 percent of the total capacity payments to the C&I CORE program budgets.

2. Utility Recovery of Forward Capacity Market Costs

a. Utilities

On December 10, 2007, the Utilities filed a joint motion for recovery of prudently incurred Forward Capacity Market costs. In the motion, the Utilities argue that recovery of their prudently incurred expenses associated with the Forward Capacity Market, including costs of providing financial assurance, is in the public interest. In response to a record request reserved as Exhibit 14 at hearing, the Utilities submitted an estimate of the annual Forward Capacity Market expenses. The Utilities estimate costs of \$117,443 in 2007 and \$99,443 in each of the years 2008, 2009, and 2010. The Utilities state that the Commission and all parties have the right to examine the actions and expenses of each Utility after-the-fact to ensure that all expenses were prudent.

b. The Way Home and Office of Consumer Advocate

The Way Home and OCA noted that the Utilities' motion raised complex issues that warrant further investigation. Both The Way Home and OCA suggested that administrative costs could be discussed and explored at the quarterly meetings during 2008 and then presented as part of the 2009 CORE budgets.

III. COMMISSION ANALYSIS

The CORE programs are funded through the System Benefits Charge authorized by RSA 374-F:3, VI. Policy guidance on how to allocate funds for energy efficiency programs appears in

RSA 374-F:3,X.² On November 1, 2000, the Commission approved recommendations of the Energy Efficiency Work Group for the design and implementation of post-restructuring electric efficiency programs. *See Electric Utility Restructuring Energy Efficiency Programs*, 85 NH PUC 684 (2000)). The Commission initially approved the CORE energy efficiency programs in *CORE Energy Efficiency Programs*, 86 NH PUC 804 (2001) (endorsing the concept of statewide programs) and in *Concord Electric Co.*, 87 NH PUC 378 (2002) (authorizing implementation of specific program proposals on June 1, 2002). In these orders, the Commission made clear that it was acting to advance specific policy goals related to energy efficiency and demand-side management in the Electric Industry Restructuring Act as enumerated in RSA 374-F:3. Following these initial orders the Commission approved similar programs for 2004, 2005, 2006 and 2007. *See Granite State Electric Co.*, 88 NH PUC 624 (2003); *Granite State Electric Co.*, 89 NH PUC 676 (2004); *Granite State Electric Co.*, 91 NH PUC 116 (2006), and *Granite State Electric Co.*, 91 NH PUC 626 (2006).

The applicable policy principles for the CORE programs remain unchanged. Given the success of these programs since their advent in 2002, it is appropriate, and consistent with the public interest, to maintain the basic approach to the use of System Benefits Charge energy efficiency funds established in prior Commission orders. It is clear that New Hampshire's electric industry has evolved over the past six years. The parameters of the System Benefits Charge have been the subject of ongoing legislative debate. *See*, Chapter 298 of the New Hampshire Laws of 2005 and Chapter 389 of the New Hampshire Laws of 2006. Further, there have been significant changes in federal law including the Energy Policy Act of 2005, Public

² RSA 374-F:3, X provides: "Restructuring should be designed to reduce market barriers to investments in energy efficiency and provide incentives for appropriate demand-side management and not reduce cost-effective customer conservation. Utility sponsored energy efficiency programs should target cost-effective opportunities that may otherwise be lost due to market barriers."

Law No. 109-58, 119 Stat. 594 (2005), and the development of the Forward Capacity Market in New England. All of these changes require adjustments in the 2008 CORE Programs. We find the changes to the 2008 CORE Programs proposed in the settlement to be appropriate responses to industry and regulatory changes.

Specifically, with respect to repayment of funds transferred from the CORE Programs as a result of Chapter 298 as enacted in 2005, we find that the adjustments to PSNH's and NHEC's 2008 CORE budgets are necessitated by the circumstances. The application of those reductions uniformly across customer classes appears fair and consistent with RSA 374-F:3, VI (requiring benefits to flow to all customers equitably) and RSA 378:10 (requiring that rates not discriminate against any customer).

We find the adjustment of certain rebate levels, as well as the incorporation of federal energy tax credits into the Energy Star Homes offerings, to be appropriate 2008 CORE Program changes. We approve the amended budget with its allocation of additional funds to the Home Energy Assistance program. We will approve the 2008 CORE program utility incentives based upon CORE program performance and consistent with the Commission's earlier order on utility incentives. *See Energy Efficiency Programs for Gas and Electric Utilities*, 88 NH PUC 401 (2003).

With regard to the potential benefits of registering CORE program peak load reductions with the ISO New England Forward Capacity Market transition provisions and subsequent capacity auctions, we approve the Utilities' proposal to register the CORE load reductions and to require customers receiving CORE rebates to forego participation in the Forward Capacity market. We do not find it appropriate, however, to require such customers to forego any environmental credits at this time. There is no evidence that such emissions credits will exist in

2008 and we have no information on how eligibility for these credits will work. We also find that it is appropriate to contribute any payments received by utilities for CORE program peak load reduction back to the CORE programs. While we acknowledge Wal-Mart's arguments that, in theory, some customers may face a choice between CORE rebates and FCM payments, our decision is consistent with the policy principle that CORE funds should be targeted to "cost-effective opportunities that may otherwise be lost due to market barriers" as specified by RSA 374-F:X.

Wal-Mart testified at hearing that it chose to install energy efficiency measures without CORE rebates. As a result, it appears that there is some evidence that large users such as Wal-Mart are not currently experiencing market barriers significant enough to prevent them from installing energy efficiency measures. We conclude that requiring a waiver of rights to FCM payments is a reasonable condition to participate in CORE programs, is an appropriate response to current market conditions and leverages SBC funds in a cost-effective manner. Although Wal-Mart seeks to characterize the issue as one of fairness and ownership of demand reductions eligible for capacity credit, the question is really one of how best to prioritize and optimize ratepayer-funded energy efficiency subsidies. In our view, these funds are best used by limiting them to projects that are not receiving assistance from the regional capacity market. We do not rule out a different determination in the future as experience with the capacity market and its effects unfold.

With regard to the Utilities' joint motion for cost recovery, we approve the Utilities' use of CORE demand reductions as resources in the Forward Capacity Market, both in its transition phase and thereafter. We will also approve the concept of offsetting the costs of such activity against the Forward Capacity Market payments and auction proceeds first and System Benefits

Charge funds second. Having approved the activity and the ongoing offsets, we instruct the Utilities to report all expenses associated with participation in the Forward Capacity Market separately and on a quarterly basis beginning with the first quarter in 2007 and continuing until further Commission order. We ask the parties and staff to review and discuss these expenses at the quarterly meetings and report any suggestions or concerns to us during the 2008 program year. We also direct the Utilities to include a separate administrative expense category for Forward Capacity Market expenses and a separate revenue category for Forward Capacity Market revenues in all subsequent annual CORE filings. We make no determination, however, concerning the prudence of specific Forward Capacity Market expenses to date, or for any future expenses. Instead, we will review the past year's expenses with each new annual CORE filing and determine at that time whether or not expenses were prudent.

In all other respects, the Settlement and the amended 2008 CORE Proposal represent an appropriate use of System Benefits Charge funds. The 2008 CORE Program will benefit all customers in the form of both electric load reduction and environmental pollution reduction. We therefore find the Settlement and amended 2008 CORE Program to be in the public interest.

Based upon the foregoing, it is hereby

ORDERED, that the Settlement Agreement submitted at hearing in this docket on December 17, 2007 is APPROVED and the petitioners are authorized to implement the 2008 CORE energy efficiency programs according to the terms of the agreement; and it is

FURTHER ORDERED, that the Utilities shall report all expenses and revenues relating to participation of CORE demand response in the regional capacity markets on a quarterly basis and as separate expense and revenue items beginning on January 1, 2007, and continuing until otherwise ordered; and it is

FURTHER ORDERED, that the Utilities' motion for recovery of prudently incurred Forward Capacity Market costs is **GRANTED IN PART** as discussed in this order.

By order of the Public Utilities Commission of New Hampshire this twenty-eighth day of December, 2007.

Thomas B. Getz
Chairman

Graham J. Morrison
Commissioner

Clifton C. Below
Commissioner

Attested by:

Debra A. Howland
Executive Director & Secretary