I. Gas Safety Requirements and Conditions for Liberty Energy/National Grid Acquisition

(1) General Condition

The following gas safety conditions listed in Conditions (2) through (20)below shall, effective with final approval of the acquisition of EnergyNorth by Liberty Energy Utilities (New Hampshire) Corp., as assignee of Liberty Energy Utilities Co., supersede and replace all previous gas safety conditions set forth in Attachment D of the settlement agreement filed with the Commission on March 28, 2000 and approved by Order 23,470 (May 8, 2000)in the EnergyNorth--KeySpan merger docket, DG 99-193,and all the pipeline safety conditions set forth or referenced in section C, subsections 5 (CIBS Replacement Program) and 7 (Operating Commitments and Annual Report, including Emergency Response Time Standards)of the EnergyNorth settlement agreement and approved by Order 24,777 (July 12, 2007)in the KeySpan--National Grid merger docket, DG-06-107.Except as specifically set forth above, all other Commission requirements regarding gas safety remain in full force and effect. In addition, any conditions already existing at the time of this Settlement and pertaining to electric reliability or electric safety are not superseded, replaced or otherwise affected by Conditions (2) through (20) below.

(2) Designation of Critical Valves for Gas Pipelines

Notifications. Reports, Maps

A Critical Valve Assessment and Emergency Closure Plan ("Critical Valve Plan") shall be submitted to the Safety Division by January 31st of each year. Included within the Critical Valve Plan shall be a Sectionalizing Plan, which shall be designed pursuant to the criteria set forth below, listing all Critical Valves, as defined below, as well as a calculation of the number of customers affected by any emergency shut-offs, which calculation shall be based on assumed man hours available and restoration time per customer. Upon receipt of EnergyNorth's Critical Valve Plan, the Safety Division shall review the plan and may provide comments regarding such modifications as the staff deems necessary, including changes in the selection and prioritization of the valve locations to ensure the rapid closure in an emergency of any sectionalizing valve designated a Critical Valve or other valve designated a Critical Valve. EnergyNorth shall notify the Safety Division 60 days prior to any planned material change in designation of Critical Valves. For the

purposes of this paragraph, a material change shall be defined as a change that results in an annual decrease of more than 5% in the overall number of Critical Valves.

A readable series of system maps (an electronic version plus a single hard copy) indicating all designated Critical Valves and outlines of isolation areas with the number of customers affected shall also be provided to the Safety Division by January 31st of each year. Such maps shall include the depiction of town lines, river crossings, highway crossings, railroad crossing, elevated pressure lines, take stations, district regulator stations, LNG plants, Propane/Air Plants and any other feature the Safety Division deems necessary. Any additional features shall be identified by the Safety Division by November 30th of the prior year.

A Critical Valve is defined as a valve selected and designated based on the following criteria. EnergyNorth shall use this criteria when selecting and designating Critical Valves in its transmission or distribution systems.

Critical Valves at Stations/Plants

(a) The first immediate inlet valve(s) of regulator stations shall be designated a Critical Valve. The Critical Valve will be located upstream of the regulator station and not contained within the regulator station building or vault itself.
(b) The first immediate outlet valve(s) of any Take (Gate) Station that is located outside of the secured or fenced area shall be designated a Critical Valve.
(c) A valve on each send-out pipeline from each LNG and Propane/Air Plant shall be designated a Critical Valve.

Critical Valves by Pressure Considerations

(d) All valves on gas pipelines operating at greater than 60 psig shall be designated Critical Valves.

Critical Valves at Road, Water, and Rail Crossings

(e) Highway Crossings: Each side of a State or Federal designated highway shall have a designated Critical Valve. This would include all direct buried pipelines, directionally bored pipelines or any other similar method using a type of trenchless technology. Any above ground highway pipeline crossing

(bridge) shall have Critical Valves on each side of the bridge within the immediate vicinity of the bridge.

(f) Water Crossings: Each side of a pipeline that crosses a public water body, including any pond, lake, tidal water, river or stream designated in the Official List of Public Waters compiled and published by New Hampshire Department of Environmental Services (DES), shall have a designated Critical Valve. The Official List of Public Waters is currently located on the DES website at http://des.nh.gov/organization/commissioner/pip/publications/wd/documents/olpw.pdf.

(g) Rail Crossings: Each side of an active railroad crossing regardless of frequency of use of the railroad shall have a designated Critical Valve.

Critical Valves used to Sectionalize Systems

In addition to those Critical Valves designated based on (a)-(g) listed above, EnergyNorth shall design its Sectionalizing Plan based on the following criteria:

(h) On the portions of EnergyNorth's distribution system that is high pressure (greater than a 13.5 inches water column), Critical Valves shall be designed so as to limit isolation zones pursuant to the applicable criteria listed below, based on the smallest number of customers affected in each instance:

1. No more than 2% of EnergyNorth's customer base shall be without gas at any one time unless Curtailment Plans, as defined in Condition17, are implemented;
2. A maximum of 1,250 gas customers may be isolated at any one time, regardless of location;
3. Of towns which have greater than 100 gas customers but less than 1,250 gas customers, no more than 25% of the customer base within the town borders can be interrupted at any one time;
4. Of towns where the population of gas customers is greater than 1,250, each isolation area shall be less than 25% of the customer base.

(i) Sections shall be sized so that any isolation area will be designed to be interrupted for no greater than 12 hours and total restoration, including relighting, is designed to be accomplished within the same 12 hours. All assumptions of mutual aid must be specified, and any other technical relighting resources relied upon to design the isolation area size shall be documented in the Sectionalizing Plan.

(j) Special sectionalizing shall not be limited by the above with respect to the distribution system within the Manchester Boston Regional Airport, in order

to minimize the likelihood of interruption for the operations of the Airport and to minimize the effects on the public transportation system in the Airport area.

(3) <u>Maintenance of Critical Valves</u>

Each Critical Valve installed on a main shall be maintained to be readily accessible and identifiable in the field by tagging or other means to facilitate its operation in an emergency. EnergyNorth must take prompt remedial action (not to exceed 60 days) upon discovery of an inoperable Critical Valve to correct the valve, unless EnergyNorth designates an alternative valve that can be documented as fully functioning and that meets the criteria listed in Condition 2 above. The Safety Division shall be notified in writing within 30calendar days of the discovery of an inoperable Critical Valve, which notice must include the location of the inoperable Critical Valve. This maintenance program shall be in place on or before January 31, 2013.

Each Critical Valve installed on a main shall be in an accessible location and its Global Positioning System (GPS) coordinates and/or triangulation ties shall be marked and maintained on a pipeline system drawing or other suitable media. The GPS collection system shall meet the requirements of Condition 4 (b) below. Current maps should be easily accessible to operating personnel.

(4) <u>Record of Facility Locations and Transition to Global Positioning System (GPS) Integration</u>

(a) Upon Commission approval of the Liberty Energy Utilities (New Hampshire) Corp., as assignee of Liberty Energy Utilities Co., acquisition of EnergyNorth in Docket No. DG 11-040, EnergyNorth will initiate and complete a plan (with submittal by January 31, 2013 to the Safety Division for comments and review) for incorporating and implementing the GPS information into the Graphical Information System ("GIS") maintained by EnergyNorth ("GPS Plan"). The GPS Plan will include project management details sufficient to establish base schedules, project milestones, budget expenditures and details of technology selected and integration with systems that will be in place after the expiration of Transition Service Agreement services applicable to and involving facility records. Elements of the plan shall address:

1. Collection of data types including but not limited to locations involving mains; services; other gas facilities; intersections of mains with service lines; any point of directional change; exposed or new

crossings of other utility, municipal, or other underground facilities and system infrastructure. GPS locations shall be recorded at any vertical offsets in elevation of a pipeline including any appurtenances that may extend from a pipeline including valve stems, tapping tees, service stubs and blowoffs. GPS data collection shall be at intervals along a pipeline sufficient to achieve geospatial accuracy.

2. Description of the methods by which GPS data will be collected and incorporated into and available for design, planning, integrity management review and field operations, including field repairs, locating/mark-outs and emergency response.
3. Description of the methods in which photo documentation or other visual imaging methods will be linked to facility records.

(b) EnergyNorth shall implement a GPS collection system by July 01, 2013. Immediately upon implementation of the system, data shall be collected regarding the location of all Critical Valves; newly installed underground facilities, newly relocated underground facilities (including insertions); and any exposed underground facilities.

(c) All GPS data collected pursuant to 4(b) above shall be integrated with GIS no later than January 31, 2014.

(5) <u>Load Curtailment Plan</u>

EnergyNorth agrees to maintain and update annually a curtailment plan consistent with the previous plan developed pursuant to Commission Order No. 24,531, and to file the plan annually with the Safety Division by January 31 of each year.

(6) <u>Internet/Intranet Access of Operations Manuals and Procedures</u>

EnergyNorth shall maintain its current practice of allowing Safety Division personnel electronic access to EnergyNorth internet/intranet networks for purposes of reviewing Operations and Maintenance Manuals, Emergency Plans, Operator Qualification Programs and other gas safety related procedures maintained by EnergyNorth. Safety Division access may be accomplished through virtual private network password protection entry or equivalent.

(7) <u>Adherence to written company procedures</u>

EnergyNorth shall follow all written company policies, guidelines, construction specifications, technical instructions, training manuals, construction standards, procedure manuals, operation and maintenance plans, integrity management

plans, distribution integrity management plans, quality assurance plans, drug and alcohol plans, and any other written document that is equivalent in nature to those listed, that relate to the integrity of any distribution or transmission pipeline facility, LNG production or vaporization facility, LPG/Air production facility or LPG Bulk Tank Storage facility.

(8) <u>Operator Qualification (OQ) Compliance Plan</u>

EnergyNorth shall submit an OQ Plan to the Safety Division by January 31, 2013. The OQ plan shall list all covered tasks and include specific abnormal operating conditions for each task, as defined in the Minimum Federal Gas Pipeline Safety Standards, Subpart N – Qualification of Pipeline Personnel(49 C.F.R. Part 192, Subpart N). EnergyNorth shall maintain records of OQ compliance including a master matrix or an equivalent that shows the qualifications for completing each procedure of the operation and maintenance manual or other relevant company procedures of Condition 7 that may be applicable.

(9) <u>Outside Contractor Activities</u>

A Quality Assurance Plan ("QA Plan")shall be written and followed**.** As part of the QA Plan, EnergyNorth shall maintain a practice of inspecting and monitoring the installation of pipeline facilities by outside contractors to ascertain that each facility is installed in accordance with applicable construction standards and the Company's operations and maintenance manual. To observe contractor activities, EnergyNorth shall utilize a combination of in-house supervisors, inspectors trained with Quality Assurance/Quality Control techniques**,** as identified in the QA Plan. Under most conditions, EnergyNorth shall maintain a span of control of no more than four crews per company representative. For situations where this condition cannot be met, EnergyNorth shall provide an equivalent level of quality assurance as addressed in the QA Plan and notify the Safety Division within the same working day of the variance. The initial QA Plan shall be submitted to the Safety Division within 120 days of consummation of the stock transfer transaction whereby Liberty Energy Utilities (New Hampshire) Corp., as assignee of Liberty Energy Utilities Co., acquires all of the issued and outstanding common stock of EnergyNorth (the "Stock Transfer Transaction"). The QA Plan shall be reviewed annually thereafter and submitted to the Safety Division within ten days of completion of each review.

(10) Marking of Underground Facilities

EnergyNorth shall continue to use only in-house personnel for the locating and marking of underground facilities for a period of no less than four years from the consummation of the Stock Transfer Transaction. If at any time after the initial four years after the Stock Transfer Transaction, EnergyNorth plans to use outside contractors for this activity, it agrees to notify the Safety Division at least six months before implementing a change and to hold a technical conference with Staff. To the extent Staff has any concerns about a proposed change in practice after the technical conference, Staff can request that the Commission to open a docket before EnergyNorth implements the change, in order to address the Staff's concerns. In any such proceeding, EnergyNorth would have the burden of showing that any changes would not result in a degradation to service quality, safety, or reliability.

(11) Ownership of System

Unless it obtains the consent of the Commission, EnergyNorth will continue to own, operate, and maintain the distribution system upstream of the customer piping connection at the meter outlet. All meters shall be located at the customer's structure unless impractical. All new meter installation locations shall be located outside of the structure unless impractical.

(12) Cast Iron Encroachment Policy

Within 60 days of the Closing Date, EnergyNorth will submit a Cast Iron Encroachment policy for Safety Division review. Any change from the existing National Grid PBWK5010 policy dated July 2004 must be identified and the consent of the Safety Division must be obtained for any incremental changes reflected in the new policy. EnergyNorth shall follow the Cast Iron Encroachment Policy unless consent of the Commission is obtained. All replacements made as a result of the Cast Iron Encroachment Policy are not eligible for accelerated rate recovery as part of the Cast Iron/Bare Steel Program listed in Condition 20 below.

(13) Aldyl A Plastic Pipe

EnergyNorth's current practice regarding replacement of Aldyl A pipe is to monitor performance issues associated with Aldyl A and submit a report to the Safety Division by March 15th of each year describing Aldyl A replacement pipe

quantities and activities ("Aldyl A Report"). After the Closing Date, the Aldyl A Report shall identify the reasons for replacement, note any failures that incurred during the calendar year, and identify the most probable cause of any Aldyl A failure. Any additional remedial actions taken should be included in the Aldyl A Report. Other replacement activity not due to failures shall also be reported. EnergyNorth shall report all plastic failures to the Plastic Pipe Database Committee (PPDC) and to the Safety Division. All previous submittals to the PPDC regarding Aldyl A or any other plastic material failures that occurred in New Hampshire shall be resubmitted to the Safety Division. EnergyNorth shall submit as part of its Aldyl A Report an excel spreadsheet documenting all known or suspected Aldyl A mains and services. EnergyNorth shall identify each main or service by street address, town and diameter. EnergyNorth shall also provide the amount of feet and age of Aldyl A remaining in the system with subtotals provided by town.

(14) <u>Contact Information</u>

Each month EnergyNorth shall provide the Safety Division an updated list of names and contact information of company personnel designated to have responsibility for gas safety related issues and for the management and resolution of gas safety complaints referred by the Staff. An organizational chart shall be submitted quarterly indicating names/responsibilities for both management and union personnel that are involved with design, operations, construction, maintenance, corrosion control, service, training, gas control, dispatch of field personnel and production of gas. Crew reporting shall be submitted daily prior to 8:30 a.m. to the Safety Division for all field personnel, including supervisory and outside contractors, working that day.

(15) <u>Odorization</u>

All gas pipelines operated by EnergyNorth shall be odorized. EnergyNorth shall maintain odorization capability, including all equipment required, at the primary source location for each system. Secondary distribution systems such as low pressure systems are not required to have odorization injection equipment if fed from a higher pressure distribution system owned and operated by EnergyNorth. The Company shall maintain a suitable log showing the quantity of odorant added and the volume of gas odorized. EnergyNorth must keep all records of odorant usage, sniff tests performed and odorant testing instrument calibration for five years.

Odorization tests shall be conducted at least weekly at the production facilities located at Tilton, Concord, Manchester and Nashua. For all other towns, odorization readings shall be taken at the endpoints of each system including secondary distribution systems at least monthly at intervals no less than 15 days and no greater than 45 days. EnergyNorth shall report any indication of insufficient levels of odorant to the Safety Division within one working day, regardless of how EnergyNorth becomes aware of such indication. Prompt action must be taken to investigate and remediate odorant concentrations that do not meet the minimum requirements.

The monthly reports shall be submitted on a quarterly basis to the Safety Division. Reports shall include the location of the odorant tested, the name of the employee conducting the testing, the reading of % gas in air detected, the instrument used in detecting the odorant and most recent date the equipment was calibrated.

(16) <u>Meter Protection from Snow and Ice</u>

When a customer complaint is made directly to EnergyNorth or indirectly through the Staff or municipal officials of an imminent safety hazard involving accumulated snow or falling snow/ice potentially damaging a natural gas meter and related appurtenances, EnergyNorth shall take prompt action within 24 hours to alleviate the potential threat. EnergyNorth shall make clear in customer communications that the current provisions of Section 9B of the EnergyNorth Tariff are not applicable to ice and snow damage prevention measures taken by the Company under this condition. This condition shall be effective immediately upon Closing.

(17) <u>Leak Classification and Grade 3 Leak Reduction Program</u>

The Safety Division is concerned that the quantity of Grade 3 Leaks is growing on the EnergyNorth system and that there is no program in place to reduce the outstanding Grade 3 leaks on the gas distribution system other than replacement. EnergyNorth agrees to implement the following Leak Reduction Program and conditions for Leak Classifications as a safety enhancement:

(a) Leak Classification shall include the same elements as the current National Grid practice as memorialized in “Leak 5030” dated 9/15/2006 and “Leak Classification for New Hampshire Division” dated 6/20/2006.

(b) Grade 3 leaks will be capped so that at the end of December 2012 there are no greater than 1,125 Grade 3 leaks in total on the distribution system. This can be achieved by repair, clamping, replacement, abandonment or equivalent methods.

(c) EnergyNorth will reduce the quantity of Grade 3 leaks at a 3-year rolling average of 70 Grade 3 Leaks per year.

(d) EnergyNorth will reduce the Grade 3 leaks to a level no greater than a capped amount of 475 outstanding Grade 3 leaks by the year 2022. This amounts to a 10-year reduction of 700 existing leaks from the December 2012 levels, including any new leaks that are discovered within the ten year period.

(e) EnergyNorth shall meet annually with the Commission Staff to review the status of the Leak Reduction Program and provide details of types of leaks eliminated or repaired.

(f) A recheck of a repaired Grade 3 Leak shall be completed within 30 days from the date the Grade 3 Leak is repaired to verify and ensure the repair of the leak.

(g) Eliminated Grade 3 Leaks accomplished by abandonment or replacement of pipe do not require rechecks.

(h) Grade 3 Leaks shall be re-evaluated regardless of whether they are located in a residential or business district each calendar year, but not to exceed 15 months, unless the leak is upgraded to a Grade 1 or 2.

(i) Grade 3 Leaks eliminated by the Cast Iron Bare Steel Replacement Program or Municipal Driven Project may be credited to the required reduction in total number of Grade 3 Leaks.

(j) There shall be no downgrading of classified leaks, i.e., Grade 1 cannot be reclassified as a Grade 2 leak or Grade 3 leak. Grade 2 leaks cannot be reclassified to Grade 3 leaks.

(18) <u>Emergency Response Time Standards</u>

EnergyNorth will meet the following emergency response time standards for (i) damaged facilities caused by second or third parties, (ii) leak or odor calls received from non-EnergyNorth personnel, or (iii) any unintentional releases of gas:

EMERGENCY RESPONSE TIME STANDARDS

Category Label	Classification	Response Interval	Min % to Achieve
Category A1	Normal Hours	30 minutes	82%
Category B1	After Hours	30 minutes	80%
Category C1	Weekends and Holidays	30 minutes	76%
Category A2	Normal Hours	45 minutes	90%
Category B2	After Hours	45 minutes	86%

Category C2	Weekends and Holidays	45 minutes	84%
Category A3	Normal Hours	60 minutes	97%
Category B3	After Hours	60 minutes	95%
Category C3	Weekends and Holidays	60 minutes	94%

a. Reporting

A monthly report on the previous month's emergency response times shall be provided to the Safety Division by the 15th of each subsequent month. The report shall be in an excel spreadsheet and include summaries for each category set forth in the chart above as well as the following details of each response:

A) call initiation date

B) call completion date

C) call type (reflecting cause for call, e.g., odor inside at meter, odor outside, 3rd party damage, etc.)

D) job code or work order #

E) classification (normal hours, after hours, weekends & holidays)

F) category (30 minutes, 45 minutes, 60 minutes)

G) call receive time (through dispatch, customer service representative, or other type of notification)

H) time when dispatch places notification to responder

I) time difference between G and H (also referred to as time held in dispatch)

J) emergency responder call receive time

K) on scene time

L) travel time of emergency responder [K-J]

M) response completion time

N) total job time [M-K]

0) response time [I+L]

P) dispatcher name or employee #

Q) emergency technician responding or employee #

R) address of location (including street #, street, town)

b. Penalties for failure to comply

To the extent RSA 362:4-b or 374:7-a are applicable, EnergyNorth's failure to meet the Emergency Response Time Standards may subject EnergyNorth to civil penalties under those statutes. Failure to meet an Emergency Response Time Standard is defined as failing to meet the minimum performance thresholds in either (a), (b) or (c) of the Overall Performance Metric set forth below, based on a review of EnergyNorth's relevant performance.

There are nine Categories (A1,A2, A3,B1, B2, B3, C1, C2, C3)per month in which response times will be measured . Thus, there will be a total of 108 measuring points in any twelve (12) consecutive months (9x 12= 108). The applicable rolling time period for purposes of compliance measurement will be twelve consecutive months (rather than a calendar year) for all metrics except (b), set forth below, which will be measured based on a rolling period of three consecutive months.

<u>Overall Performance Metrics</u>

a. If the Monthly Benchmark (the minimum percentage of responses for a Category, as defined in the chart above)is missed ten or more times in the aggregate, *i.e.*, in any combination of the nine Categories, during any consecutive rolling twelve-month period (*e.g.*, 4A1s, 3B2s and 2C1s, 1 C3 = 10), then the Company will have failed the metric and may be subject to Commission penalties as discussed above;
b. If the Monthly Benchmark is missed in any one category (three A1s or three A2s or three A3s, or three B1s or three B2s or three B3s, or three C1 or three C2s or three C3s) for three consecutive months, then the Company may be subject to Commission penalties as discussed above; or
c. If the twelve month average of any particular Category is below the Monthly Benchmark, the Company may be subject to Commission penalties as discussed above. For clarity, averaging will be based on the aggregate monthly results (not 12 months of individual daily data).

(19) Leak Reporting

(A.) Each month, the Company will file the following in accordance with NH Code Admin. Rules Puc509.15:

The Number of Class I, II, and III leaks:

- As of the beginning of each month
- Reported during the month
- Repaired during the month
- As of the end of the month

(B.) Additionally, for those leaks reported during the month, the Company will provide:

- The leak address
- The date leak was reported
- The identification number of the leak
- The Leak Area (Rural, Residential, Urban)
- The classification of the leak
- Method of how the Company became aware of leak (Public, Employee, Winter Patrol etc.)
- Type of cover over Leak (Asphalt, Concrete, etc.)
- The pipeline facility (Main, Service, etc.)
- The operating pressure (LP, IP, HP, etc.)
- The speculated material involved in any suspected grade 3 leaks

(C.) Additionally, for those leaks repaired or eliminated during the month, the Company will provide and/or confirm:

- The identification number of the leak
- The repair date
- The pipeline material
- The cause of the leak (as defined in Form PHMSA F 7100.1-1)

(D) With 120 days of the Closing Date, the Company will determine the pipeline material of each outstanding Grade 3 leak. This information will be made available to the Safety Division.

(E) An Annual Summary of Leaks and Leak Progression Mapping Report (by year and Identification Number) shall be provided annually by March 15th of each year to the Safety Division for all leaks on the system as of December 31st of the previous year.

(20) Cast Iron Bare Steel Replacement Program:

A cast iron/bare steel replacement program ("CIBS Program") shall be implemented that will be based on a construction year(April through December). By no later than January 15 of each year, EnergyNorth shall provide a copy of its CIBS Plan, defined below, to Staff for review and comment. EnergyNorth shall meet with Staff in technical sessions to discuss the plan to be implemented for the subsequent construction year. After review by Staff, EnergyNorth will take all reasonable steps to carry out and implement the plan, taking into account Staff comments.

The CIBS plan, which will cover cast iron and bare steel pipe replacements, will describe each replacement project, itemizing the proposed projects by general category, along with the targeted amount of investment to be made during the following construction year, which budget shall not be less than the CIBS base amount for capital expenditures described in paragraph e below ("CIBS Plan"). The CIBS Plan will prioritize cast iron and bare steel pipe replacements based on factors including leakage, material condition, age and other components affecting pipe integrity. The CIBS Plan will not address replacement of cast iron and bare steel pipes required in public works projects and/or carried out pursuant to the Cast Iron Encroachment Policy referenced in Condition 12 above.

EnergyNorth agrees to engage in an annual evaluation and selection process to identify and target investments to be proposed in the CIBS Plan, as follows:

a. It will undertake an annual review of the performance of its distribution system as it relates to the integrity of its cast iron and bare steel pipelines. This review will provide: (1) a detailed analysis of leak activity over the preceding ten years on the bare steel and cast iron gas mains, and (2) an evaluation of which main segments represent the highest priority segments for replacement. Consideration will be given to the age of the main, the date the leak(s) occurred, leak classification, type of leak, number of clamps used in leak repair, condition of main when repaired, specific leak location, building types in the area of the main segment and quantity of bare steel services attached to the potential segment to be replaced.

b. Adjustments in the priority of main segment replacement could be made due to planned paving projects, public relations, or identification of new main segments by operating personnel in the field that were not captured through EnergyNorth's data systems.

c. Using the process identified in (a) and (b) above, EnergyNorth shall rank and prioritize those mains to be replaced in the associated construction year and provide its plans to the Commission.

d. Categories of spending will include the following:

1.1 unprotected bare steel main replacement, as determined by the evaluation and selection process;

1.2. cast iron main replacement as determined by the evaluation and selection process;

1.3. cast iron or bare steel main replacement candidates requested by field operating personnel; and

1.4. bare steel services replaced as a result of a segment of bare steel main or cast iron main that is selected.

Categories of spending that are <u>not</u> included in the CIBS:

2.1. costs of moving inside meters to outside;

2.2. costs of reconnecting existing plastic services or existing coated steel services from cast iron mains or bare steel mains to the newly installed replacement main;

2.3. costs of any mains replaced made of polyethelene or steel that have a protective coating;

2.4. costs of any mains that are abandoned;

2.5. costs of coated steel mains that "act as bare steel mains" such as poorly coated steel mains or disbonded steel mains, unless approved by the Safety Division;

2.6. incremental costs of upsizing with the exception of (n) below; and

2.7 carryover costs in aggregate exceeding 5% of the approved estimated total expenditures under the CIBS program for the construction year, unless approved by the Safety Division. Such carryover costs include items such as restoration costs not incurred during the construction year.

2.8 Replacements made under the Cast Iron Encroachment Policy are not eligible for accelerated rate recovery in the Cast Iron/Bare Steel Program unless a special circumstance is approved by the Safety Division.

e) EnergyNorth shall bear the initial $500,000 of capital expenditures under the CIBS program ("the CIBS Base Amount") (in accordance with the Handy Whitman index). The CIBS Base Amount excludes replacement projects required by public works projects and/or carried out pursuant to the Cast Iron Encroachment Policy referenced in Condition 12. Provided that investments were made in accordance with the approved CIBS plan, EnergyNorth will be allowed a permanent increase in its base distribution delivery rates to recover the annual revenue requirement for those investments that are found to be reasonable and prudent made in the preceding construction year and in excess of the CIBS Base Amount. The permanent capital investment recovery allowance will not take effect until the actual costs of the

previous construction year are approved by the Commission. Petitions for cost recovery will be submitted annually thereafter not later than May 1, for an effective date of July 1.

f) After Staff completes the review of the CIBS Plan for a given construction year, EnergyNorth shall track all capital investments made in accordance with the approved CIBS Plan. EnergyNorth will reconcile actual capital expenditures with the CIBS Plan targets at the conclusion of the CIBS Plan period.

g) EnergyNorth agrees that it will file a report with the Commission on May 15 of each year detailing the actual amount of capital investments made in accordance with implementing the CIBS Plan during the prior construction year ("CIBS Report"). The report will include a calculation of the incremental revenue requirement associated with the capital investments in rate base that exceeds the CIBS Base Amount, using the Commission-approved imputed or actual capital structure and cost of capital determined using the Commission-approved return on equity and cost of debt. If the Commission has not made a final determination in the first rate case by the time the first adjustment is to be calculated, a reasonable proxy will be used for the rate calculation and an adjustment will be made to the revenue requirement to reconcile to the approved cost of capital rates when the rates from the first rate case go into effect.

h) EnergyNorth agrees to file its annual CIBS Report on the prior construction year's activities at the time it makes its rate adjustment filing on May 15. The Settling Parties and Staff understand that, in implementing the CIBS Plan, the circumstances encountered during the year may require reasonable deviations from the original plan. In such cases, EnergyNorth shall include an explanation of any deviations in the report. For cost recovery purposes, EnergyNorth shall have the burden to show that any deviations were due to circumstances out of its reasonable control or, if within its control, were reasonable and prudent. The CIBS Report shall include a breakdown of footage replaced by municipal projects that involve Cast Iron /Bare Steel as well the footage replaced under the Cast Iron Encroachment Policy. Samples of reporting that Staff has reviewed previously are included in Attachment A.

i) The CIBS Program will remain in place through and beyond EnergyNorth's future rate cases until terminated by the Commission or by mutual agreement at the end of a given construction year, with a final capital allowance pertaining to the final year.

j) EnergyNorth can elect to not finalize its CIBS Plan until after the winter frost patrol ends in early April. By May 1, EnergyNorth shall finalize actual projects and provide a copy of the final CIBS Plan to Staff. In addition, the priority rankings of main segments for replacement will be subject to change over the course of the year due to new information. In such case, if EnergyNorth believes it is prudent to change

the rankings from the approved CIBS Plan, it will notify Staff, stating the reasons for the change prior to construction. If Staff does not believe that particular components of the revised plans are reasonable and the matter is not resolved between EnergyNorth and Staff, Staff may object and the matter may be referred to the Commission for resolution.

k) EnergyNorth acknowledges that Staff review will not relieve EnergyNorth of its obligation to operate its business and maintain safe, reliable service through expenditures and other capital investments in the ordinary course of business that are not set forth in the CIBS Plan, nor will it bind Staff to a particular position regarding the adequacy and/or effectiveness of the plan.

l) However, EnergyNorth will be authorized to include in its CIBS Plan the replacement of cast iron and bare steel pipe located in the vicinity of public works projects, where replacement is not required as a part of the project, but permitted for convenience or other reasons, as determined by the Safety Division.

m) EnergyNorth shall provide GIS Mapping or other electronic means that shows the project scope with each submittal of the CIBS Plan.

n) No upsizing of pipe diameter shall be allowed for cost recovery within the CIBS Program on 60 psig systems. For low pressure systems (12 inches water column and below) no upsizing shall be allowed for cost recovery within the CIBS Program except for 3” nominal diameter low pressure pipe replaced with 4” nominal diameter pipe and other special circumstances as approved by the Safety Division.

o) EnergyNorth shall provide the Commission Staff with actual cutouts of the worst section within any bare steel main segment replaced prior to reconciling any cost adjustments for associated construction season. Cutouts shall be approximately 12 inches to 24 inches in length.

p) EnergyNorth shall provide a written report accompanying the actual cutouts in section 20(o) above that includes: photographs the replaced bare steel segment; a general description of the condition of the pipe; the street address from which it was taken; age of material; original wall thickness; measured depth of deepest pit of the cutout; operating pressure of replaced pipe; pH of soil condition of cutout surrounds; results of testing for microbiological acid producing bacteria (APB) and sulfate reducing bacteria (colonies per ML); and identification of the threshold of high bacteria counts.

II. Additional Granite State Electrical Safety Conditions (Electrical Underground Facility Protection)

Underground Damage Prevention Program Enhancement

1. Granite State Electric Company (Granite State) will institute a new Locating/Mark-Out Policy within the existing Underground Damage Prevention Program. The Locating/Mark-Out Policy will provide enhanced public safety by increasing the commitments and responsibilities associated with locating and marking private underground residential facilities within Granite State's franchise territory. Notwithstanding the exemption contained in RSA 374:53 concerning facilities not owned by the operator, Granite State accepts the additional responsibility of locating privately owned, residential underground electrical facilities pursuant to excavation notifications, and agrees to establish the Locating/Mark-Out Policy ("Policy") described below.

Policy Implementation and Potential Discontinuation

2. Locating/Mark-Out Policy will be implemented within 120 days of the Closing Date.
3. Granite State reserves the right to discontinue the Policy with Staff review and consent but without the necessity of obtaining formal Commission approval if the incremental costs of implementing the Policy, not including advertising and marketing costs or other non-field costs, exceed $10,000 annually. In the event Granite State disagrees with Staff's decision not to consent, it may file a request for review with the Commission. Granite State will file written notification of any discontinuation of the Policy with the Commission.

Policy Requirements

4. Within Granite State's franchise territory, Granite State will mark privately owned, residential underground facilities up to the meter and including the service entrance upon receipt of notifications received via the One Call Notification System.
5. The electrical service includes primary service voltage levels as well as secondary voltage levels.
6. The electrical service also includes service from aerial distribution systems as well as underground systems.
7. Notifications received for underground excavation involving commercial properties are not included in the waiver or this Policy.
8. The location and marking of excavations involving underground electrical facilities beyond the meter, such as from a house to a barn, lamp post, pool, shed and other structures, are not included in this Policy.

9. Granite State's responsibility under the Policy shall not extend beyond marking out the facility, and does not include repairs to such facilities.
10. Field Markouts made under the Policy shall clearly indicate private electrical facilities that are not owned or operated by GSE.
11. During each year the Policy is in effect, Granite State shall maintain a level of accuracy for markouts made under the Policy that is commensurate with the level achieved for its own facilities. An audit or equivalent method may be used to determine the accuracy percentage of Policy markouts.
12. Granite State will not be required to mark such services defined in this Policy where the customer refuses Granite State access or denies such markout service.

Program Reporting

13. By January 31, 2013, Granite State shall submit an initial report to the Safety Division of the average accuracy level for markouts made of underground facilities pursuant to the One Call Notification System, and the derivation with sufficient detail supporting the determination of the average used to measure the accuracy level for the Policy. The initial report shall indicate the levels of markout accuracy obtained for Granite State facilities as well as privately owned, residential facilities. The report shall also contain the elements listed in item 14 below. Staff shall review and comment on the submittal, and Granite State shall incorporate Staff's comments into subsequent reports in following years.
14. Granite State shall keep track of costs expended and associated data, including but not limited to: number of notifications received, number of markouts made, address locations of markouts, quantity and locations of customer refusals, and dates of services performed. A summary report with subtotals by month shall be submitted to Staff annually, no later than January 31st for the previous calendar year's Policy.
15. The new Policy does not require Granite State to file a monthly E-26 report for markouts made under the Policy.