

ORIGINAL
N.H.P.U.C. Case No. DE 14-031
Exhibit No. 4
Witness J. Warshaw, D. Simck
DO NOT REMOVE FROM FILE

THE STATE OF NEW HAMPSHIRE  
Before the  
PUBLIC UTILITIES COMMISSION  
DE 14-031

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities

Default Service Loss Factor Investigation Update

March 20, 2014

1. Background

In Order 25,416 issued on September 21, 2012, the Commission instructed Granite State Electric Company ("Liberty Utilities" or the "Company") to provide the Commission with a report no later than March 21, 2013, and every six months thereafter, that "describe[s] the steps that the Company has taken and the progress it has made in addressing the Massachusetts border customer issues, the metering issues and in developing its own metering domain as well as what corrective actions still need to be implemented and a schedule for doing such." Order 25,416 at 12-13. The purpose of this report is to provide an update to the Commission on the status of the borderline and metering issues.

2. Payment for Borderline Sales

a. Update

Liberty Utilities is engaged in ongoing settlement discussions with Massachusetts Electric Company ("MECo") in which MECo would pay Liberty Utilities for borderline sales from on or around June 2006 (when the Granite State borderline tariff filed at FERC took effect) through September 30, 2012 (just prior to the October 1, 2012 execution of the Service Agreement for MECo-Granite State borderline sales). While Liberty Utilities had understood that it and MECo had reached an agreement on the principle terms of a settlement on December 19, 2013, the parties have not been able to memorialize that agreement and bring the matter to closure. As a result, Liberty Utilities has not received any payments from MECo and thus there are no funds to flow through to the Company's customers. Liberty and MECo continue to negotiate to resolve this matter.

b. Corrective Actions That Need to be Taken

Undetermined until a settlement agreement has been executed.

c. Schedule for Corrective Actions

The Company will update the Commission and the Office of Consumer Advocate as soon as a settlement agreement has been executed.

### 3. Massachusetts Electric Service to Borderline Customers

#### a. Update

In September 2012, Liberty Utilities and National Grid identified 187 customers served across state lines. Liberty Utilities serves 186 MECo customers in Methuen, Massachusetts and MECo serves 1 Liberty Utilities customer in Pelham, New Hampshire. Liberty Utilities and MECo have executed a borderline service agreement to serve the MECo customers in Massachusetts on October 1, 2012 and are in discussions regarding service to the Liberty Utilities customer in New Hampshire served by MECo.

#### b. Corrective Actions That Need to be Taken

MECo initially indicated to Liberty Utilities that it was planning to install meters that will measure all energy consumed by these borderline customers. These meters would have provided the information necessary to be a wholesale delivery point to New England Power Company (NEP), National Grid's transmission company. Liberty subsequently learned that MECo was unwilling to pay for the installation of these meters. As a result, the parties have agreed that MECo will continue to bill for service to those customers under the Service Agreement.

#### c. Schedule for Corrective Actions

Liberty Utilities is currently manually billing MECo under the Service Agreement and will continue to do so.

### 4. New England Power Meter Installation

#### a. Update

The Metering and Settlement Agreement between NEP and Liberty Utilities identified 3 unmetered locations where energy can flow between Liberty Utilities and NEP. Two locations are on the Massachusetts New Hampshire border in Haverhill and Methuen, and the third meter is required at the Charlestown, New Hampshire substation on a wholesale supply to New Hampshire Electric Cooperative (NHEC).

#### b. Corrective Actions That Need to be Taken

NEP agreed to install the meters at two of these locations (Haverhill and Methuen) as part of the Metering and Settlement Agreement. NEP will purchase the required metering equipment, schedule the work and install the meters. NEP will own this equipment and register these meters with the ISO New England where they will be considered wholesale delivery points to the GSE meter domain.

Due to the expected retirement of the Charlestown, New Hampshire substation, it was mutually decided to implement a manual procedure to account for any switching done in the Charlestown substation that impacts NEP's service to NHEC. This would allow Liberty Utilities and NEP to manually adjust the amount of energy provided to NHEC in its reporting to the ISO.

c. Schedule for Corrective Actions

The Haverhill and Methuen primary metering locations were completed in November 2013. A verbal agreement between Liberty Utilities and MECo has been reached on the corrective action at Charlestown which will be documented in an amendment to the Metering and Settlement Agreement.

5. New Meter Domain

a. Update

Liberty Utilities, working with NEP and ISO New England, implemented a Liberty Utilities meter domain, which contains all GSE customers. Wholesale meters are installed at any location where energy can flow between NEP, Liberty Utilities' transmission provider, and the Liberty Utilities distribution system. These meters are used to determine the wholesale energy delivered to Liberty Utilities and the transmission cost for energy delivered to Liberty Utilities customers on a monthly basis and also used to calculate the supplier load settlement with the ISO New England. The meters are located at energy delivery points including Liberty Utilities' substations, distribution tie lines, and small generator interconnection points.

b. Corrective Actions That Need to be Taken

Liberty Utilities is currently developing metering systems that will be used for electric billing and reporting requirements with the ISO New England. These metering systems, which include an interval and non-interval data collection system, an electric supplier load estimation system and a load research system, are in the development and implementation phase. Currently, National Grid performs all metering functions required to monitor the meter domain and perform the billing functions under a Transition Service Agreement that runs through July 2014.

c. Schedule for Corrective Actions

The vendors who will provide the metering and estimation systems, CGI Logica and Oracle, respectively, are the selected vendors to provide such service and implementation schedules and have been set up to align with the Cogsdale customer service system go live date in May 2014. The alignment of systems is required to keep the continuity of the data required to perform the billing and reporting functions. User acceptance testing is currently taking place on both systems. National Grid will continue to perform all billing functions for Liberty Utilities through the end of May 2014. Liberty Utilities, with the cooperation of National Grid and ISO New England, established the Liberty Utilities' meter domain on February 1, 2014. National Grid will continue as Liberty Utilities' meter reading agent until the May 27 scheduled go live date.