

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

RE: LIBERTY UTILITIES (ENERGYNORTH NATURAL GAS) CORP. D/B/A LIBERTY
UTILITIES

Petition for Approval of Long-term Firm Transportation Agreement

DOCKET NO. DG 14-380

Stipulation and Settlement Agreement

This Stipulation and Settlement (the “Settlement Agreement”) is entered into this 26th day of June, 2015 by Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities (“Liberty” or the “Company”) and the Staff of the Public Utilities Commission (“Staff”) (hereinafter referred to collectively as the “Settling Parties”). This Settlement Agreement resolves all issues between the Settling Parties regarding Liberty’s request for approval of its proposed Precedent Agreement with Tennessee Gas Pipeline Company, LLC (“Tennessee”).

I. INTRODUCTION

On December 31, 2014, Liberty filed with the Commission a Petition for Approval of a Firm Transportation Agreement With Tennessee in which Liberty sought approval to enter into a 20 year contract with Tennessee pursuant to which the Company would purchase on a firm basis up to 115,000 Dekatherm (Dth) per day of capacity from the proposed Northeast Energy Delivery pipeline (the “NED Pipeline”). The Petition was accompanied by the Prefiled Direct Testimony of Francisco C. DaFonte which explained the Company’s need for additional pipeline capacity, as well as its rationale for selection of the NED Pipeline, along with a copy of the proposed Precedent Agreement with Tennessee. The Company initially sought final

Commission approval of its decision to enter into this contract by July 1, 2015, but later amended that request to September 1, 2015, based on a change to the time frame for regulatory approval contained in the Precedent Agreement. On December 31, 2014, the Company also filed a Motion for Protective Order and Confidential Treatment Regarding Precedent Agreement.

On January 6, 2015, the Office of Consumer Advocate (“OCA”) filed a letter of participation in the docket, and on January 21, 2015, the Commission issued an Order of Notice scheduling a prehearing conference as well as a final merits hearing for May 20, 2015. The Town of Dracut, Massachusetts, and the Pipe Line Awareness Network for the Northeast, Inc. (“PLAN”) petitioned to intervene in the docket. On February 13, 2015, the Commission held the prehearing conference, at which the Hearings Examiner denied the Town of Dracut’s intervention, and granted the Company’s Motion for Protective Order and Confidential Treatment. On February 19, 2015, the Commission issued a Secretarial Letter affirming the Hearings Examiner’s rulings. On March 6, 2015, the Commission issued Order 25,767 granting PLAN’s Petition to Intervene as to its members who are Liberty customers, but denying its Petition as to the interests of landowners along the proposed NED route who are not Liberty customers. On April 30, 2015, the Commission issued a Secretarial Letter rescheduling the final merits hearing for June 30, 2015, as well as making other adjustments to the procedural schedule.

The Company responded to multiple rounds of discovery from all parties in the docket, as well as participated in a technical session. On May 8, 2015, the Staff filed testimony of Melissa Whitten, the OCA filed testimony of Dr. Pradip Chattopadhyay, and PLAN of John A. Rosenkranz. The Company propounded discovery on this testimony, and on June 4, 2015, filed Rebuttal Testimony by Mr. DaFonte and William J. Clark. Staff, OCA and PLAN all submitted discovery on this testimony to which the Company responded. As a result of all of those actions,

the Settling Parties have agreed to the terms of this Agreement, which is proposed to resolve all of the issues in this case. The Settling Parties recommend that the Commission approve this Agreement without modification.

II. TERMS OF AGREEMENT

A. Amount of Capacity

The contracted amount of capacity under the Precedent Agreement shall initially be 115,000 Dth per day, but the Company shall reduce the amount to 100,000 Dth per day if, as of April 1, 2017, the sum of:

- a) the design day capacity for iNATGAS firm sales; plus
- b) the design day capacity necessary to serve any existing capacity-exempt transportation customers that switch to firm sales service after July 1, 2015; plus
- c) the design day capacity necessary to serve any customers who currently take service from Concord Steam who convert to gas as their source of fuel after July 1, 2015;

is less than 10,000 Dth per day.

The Company shall report the increase in design day capacity for the above customers in its Cost of Gas ("COG") filings. Within 30 days of a Commission order approving this Settlement Agreement, the Company shall file an amended Precedent Agreement, which memorializes its right to reduce the total capacity in accordance with this Settlement Agreement, which shall be substantially in the form of Attachment A to this Settlement Agreement. The Company shall file any subsequent amendment to the Precedent Agreement within 30 days of its effective date.

B. Growth Incentive

A growth incentive will be in effect for the period during which certain of the Company's propane facilities (as defined below) remain in service at the same time as the NED Pipeline. During the period of effectiveness, EnergyNorth shall include information related to the growth incentive in its annual Summer COG filings. Specifically, following the commencement of service on the NED Pipeline (as defined in section 2.a. of the Precedent Agreement at Bates 46), but no earlier than 2019, EnergyNorth shall meet certain targets for annual average growth, in terms of number of new customers ("Customer Target") or annual dekatherms ("Dekatherm Target"). The Customer Target, including returning capacity exempt transportation customers, shall be 2,000. The Dekatherm Target shall be 650,000, and shall include throughput to new customers, throughput to returning capacity exempt customers, and additional throughput to customers who upgraded their existing service (*e.g.*, from non-heating to heating).

Average actual growth rates for customers and dekatherms will be determined commencing with calendar year 2017. At the end of each year, the number of customers added and amount of dekatherms added for each year from 2017 through the end of the current year will be summed and the sum will be divided by the number of years to determine the average number of customers, which shall constitute the Customer Target, and the average dekatherms added per year, which shall constitute the Dekatherm Target.

If either the average actual number of customers or average actual dekatherms added in each year equals or exceeds the Customer Target or the Dekatherm Target (collectively, the "Targets"), there shall be no reduction to the Company's cost recovery for any costs incurred for

the NED Pipeline. If both averages are below the Targets, then a reduction will be made to the costs for the NED Pipeline recovered through the Company's winter COG rate. The average annual achievement for each of the Customer Target and the Dekatherm Target will be divided by the target for that metric. The larger of the two percentages resulting from such calculation shall be used to determine the amount of reduction to the costs for the NED Pipeline recovered through the Company's winter COG rate.

If the larger percentage is less than 80% of the applicable target, then costs recovered for the NED Pipeline through the winter COG rate reconciliation will be reduced by \$300,000. If the larger percentage is greater than or equal to 80%, but less than 90%, then costs recovered for the NED Pipeline through the winter COG rate reconciliation will be reduced by \$225,000. If the larger percentage is greater than or equal to 90%, but less than 100%, then costs recovered for the NED Pipeline through the winter COG rate reconciliation will be reduced by \$150,000.

Reduction to cost recovery as described above will only be applicable while the Company's propane facilities that are not used for pressure support remain in service (excluding facilities serving the Keene Division). If all such plants are retired, the cost recovery mechanism will cease to be applicable. If some of the plants are retired, then any reduction to cost recovery described above will be reduced by the proportion of the then-existing rate base amounts attributable to the plant(s) that are retired, divided by the sum of the rate base amounts of all such plants. This growth incentive shall also become inapplicable if the Company's average annual customer growth rate is 2,400 or greater over any consecutive three-year period or if the Company's average annual dekatherm growth rate is 780,000 or greater over any consecutive three-year period.

C. Analysis to be Provided in Next IRP Filing

The Company shall provide the following information and analysis as part of its next Integrated Resource Plan filing, see RSA 378:38:

1. A cost/benefit analysis of constructing a lateral to serve the Keene Division as compared to other supply alternatives;
2. A forecast of load on a customer-class basis;
3. An analysis of the impact of energy efficiency in the demand forecast; and
4. An analysis of the potential retirement of the Company's propane facilities (other than those facilities in Keene), including support for either retaining or retiring each facility during the five-year planning horizon of the IRP. Such analysis shall also include a calculation of the revenue requirement associated with each plant over its remaining life and the estimated salvage value of plant assets.

III. CONDITIONS

This Agreement is expressly conditioned upon the Commission's acceptance of all its terms, without change or condition. If the Commission does not accept this Agreement in its entirety, without change or condition, or if the Commission makes any findings that go beyond the scope of this Agreement, and any of the Settling Parties notify the Commission within five business days of their disagreement with any such changes, conditions or findings, the Agreement shall be deemed to be withdrawn, in which event it shall be deemed to be null and void and without effect, shall not constitute any part of the record in this proceeding, shall not be relied upon by Staff or any party to this proceeding or by the Commission for any other purpose.

The Settling Parties agree that the Commission's approval of this Agreement will not constitute continuing approval of or precedent for any particular principle or issue, but such

acceptance does constitute a determination that the terms and conditions of the Agreement in their totality are just and reasonable and consistent with the public interest.

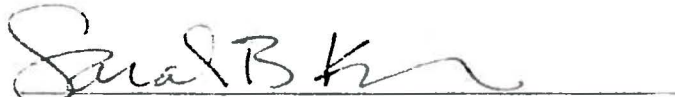
The discussions that produced this Agreement have been conducted on the understanding that all offers of settlement and settlement discussions relating to this docket shall be confidential, shall not be admissible as evidence in this proceeding, shall be without prejudice to the position of any party or participant representing any such offer or participating in any such discussion, and are not to be used in connection with any future proceeding or otherwise.

The information and testimony previously provided in this proceeding are not expected to be subject to cross-examination by the Settling Parties, which would normally occur in a fully litigated case. The Settling Parties agree that all direct and rebuttal testimony and supporting documentation may be admitted as full exhibits for purposes of consideration of this Agreement. The agreement to admit all direct and rebuttal testimony without challenge does not constitute agreement by the Settling Parties that the content of the written testimony is accurate or what weight, if any, should be given to the views of any witness. The identification of the resolution of any specific issue in this Agreement does not indicate any of the Settling Parties' agreement to such resolution for purposes of any future proceeding, nor does the reference to any other document bind the Settling Parties to the contents of, or recommendations in, such document for purposes of any future proceeding. Furthermore, in light of the fact that they have entered into this Agreement, the Settling Parties agree admission into evidence of any witness's testimony or supporting documentation shall not be deemed in any respect to constitute an admission by any party to this Agreement that any allegation or contention in this proceeding is true or false, except that the sworn testimony of any witness shall constitute an admission by such witness.

This Agreement may be executed by facsimile and in counterparts, each of which shall be deemed to be an original, and all of which, taken together, shall constitute one agreement binding on all parties hereto.

Dated: June 26 2015

LIBERTY UTILITIES (ENERGYNORTH)
NATURAL GAS) CORP.
D/B/A LIBERTY UTILITIES

A handwritten signature in cursive script, appearing to read "Sarah B. Knowlton", written over a horizontal line.

By its Attorney
Sarah B. Knowlton

Dated: June __, 2015

STAFF OF THE NEW HAMPSHIRE PUBLIC
UTILITIES COMMISSION

A handwritten signature in cursive script, appearing to read "Roric E. Patterson", written over a horizontal line.

By its Attorney
Roric E. Patterson