

STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE: October 7, 2013

AT (OFFICE): NHPUC

FROM: Grant W. Siwinski
Utility Analyst III



NHPUC 7OCT'13AM9:50

SUBJECT: DE 13-253, EnergyNorth Natural Gas, Inc., Granite State Electric Co., Liberty Energy Utilities (New Hampshire) Corp., Liberty Energy Utilities Co. and Liberty Utilities Co.

TO: Commissioners
Debra A. Howland, Executive Director

On September 10, 2013, EnergyNorth Natural Gas, Inc. ("EnergyNorth"), Granite State Electric Co. ("Granite State"), Liberty Energy Utilities (New Hampshire) Corp. d/b/a Liberty Utilities ("Liberty NH"), Liberty Energy Utilities Co. ("Liberty Energy") and Liberty Utilities Co. ("LUC") (the Applicants) filed a Petition requesting approval, pursuant to RSA 369:8, II(a) and RSA 374:33, for a non-substantive corporate reorganization to eliminate an unnecessary corporate entity in Liberty NH's chain of ownership, through a merger involving Liberty NH's corporate parents Liberty Energy and LUC.

As described in the Petition, Liberty Energy and LUC proposed a merger agreement which provides for the merger of Liberty Energy and LUC with LUC being the surviving entity. The proposed transaction results in a purely technical change in ownership of Liberty NH. Liberty NH is the parent company of two regulated public utilities: EnergyNorth and Granite State. Liberty NH is in turn currently owned directly by Liberty Energy and indirectly by LUC. Following the proposed merger, Liberty Energy will cease to exist and LUC will own Liberty NH directly. Thus, there is no substantive change of control over Liberty NH, EnergyNorth or Granite State. No new buyer or outside entity is involved in the transaction. The ultimate ownership and control of Liberty NH will not change; Algonquin Power & Utilities Corp. ("Algonquin") will continue to be the ultimate parent to Liberty NH, EnergyNorth and Granite State. Accordingly, the proposal will result in a simplification of Algonquin's corporate structure without affecting the operations of Liberty NH. The proposal will reduce corporate governance compliance expenses and filings; directors will no longer have to be provided for Liberty Energy; and it will simplify inter-company transactions by eliminating a layer in the corporate structure. According to the Applicants, there will be no other effect on Liberty NH, EnergyNorth or Granite State. EnergyNorth and Granite State will continue to operate as separate corporations providing natural gas and electric service to each company's service areas. As a result, the proposed transaction will not affect rates, terms, service, or operation of either EnergyNorth or Granite State. The proposed reorganization also does not involve the issuance of new equity rather, as a result of the merger, all of Liberty NH's outstanding stock will be owned by LUC. In addition, neither debt nor costs associated with the proposal will be passed through to New Hampshire ratepayers. The transaction will simply remove a link in LUC's ownership of

Liberty NH. Company-level organization charts for both before and after the proposed transaction were provided as Exhibit B to the Petition.

On the basis of these representations by the Applicants, and Staff's review of the Petition and related Attachments, Staff recommends that the Commission approve the proposed reorganization under RSA 369:8, II(a) and RSA 374:33 by Order Nisi as having no adverse effect on EnergyNorth or Granite State, and as being lawful, proper, and in the public interest.

Cc: Service List