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N.H.P.U.C. Case No. <i>DG-14-180</i>
Exhibit No. <i>#5</i>
Witness: <i>Pana 121</i>
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STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

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

DOCKET NO. DG 14-180

Stipulation and Settlement Agreement Regarding Permanent Rates

This Stipulation and Settlement Regarding Permanent Rates (the "Settlement Agreement") is entered into this 18th day of May, 2015 by Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities ("Liberty" or the "Company), the Office of Consumer Advocate ("OCA") and the Staff of the Public Utilities Commission ("Staff") (hereinafter referred to collectively as the "Settling Parties"). This Settlement Agreement resolves all issues regarding Liberty's request for permanent rates in this proceeding.

I. INTRODUCTION

On July 2, 2014, Liberty filed with the Commission its notice of intent to file rate schedules to seek an increase in its annual distribution revenues. The OCA notified the Commission on July 16, 2014 that it would participate in the docket on behalf of residential customers consistent with RSA 363:28. On August 1, 2014, Liberty filed its proposed rate schedules seeking a permanent increase of \$13,442,972 in annual distribution revenues based on a rate base of \$172,908,291. The Company also sought approval for a step increase to recover an annual revenue deficiency of \$2,649,554 based on additional capital spending of \$16,660,624 for the twelve month period ending March 31, 2015. The Company also filed direct testimony of the following witnesses: Daniel G. Saad, Christian P. Brouillard, Steven E. Mullen and Howard S.

Gorman, Kevin M. McCarthy, John Lawson, Ray Dusome, Stephen R. Hall and James D. Simpson, James D. Simpson (Marginal Cost and Decoupling), David A. Heintz, and Robert B. Hevert. On September 25, 2014, Iberdrola USA Enterprises, Inc. filed a petition to intervene which was granted at the prehearing conference on October 1, 2014, and on October 14, 2014, HotZero, LLC filed a petition to intervene which was granted by a November 6, 2014 Secretarial Letter.

In its filing, the Company also sought a temporary rate increase of \$8,379,060. The Company also moved for waivers from compliance with certain requirements of the Commission's rules and for confidential treatment relative to information about the compensation paid to its officers and directors. On August 28, 2014, the Commission issued Order No. 25,711 suspending the Company's proposed tariff revisions included in the Company's distribution rate filing.

After discovery by the parties on the Company's temporary rate filing, the Staff and Liberty reached a settlement agreement on temporary rates which was filed with the Commission on November 4, 2014. The temporary rate settlement provided for an annual increase in distribution revenue of \$7,394,075. After a hearing, the Commission approved the temporary rate settlement agreement in Order No. 25,737 dated November 21, 2014, which provided for temporary rates to take effect on December 1, 2014. Pursuant to the terms of the agreement, temporary rates were fully reconcilable as of November 1, 2014 with any permanent rates approved by the Commission.

The Company responded to data requests from Staff and parties, the Staff conducted an audit, and the Settling Parties conducted multiple settlement discussions. As a result 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. Revenue Requirement for Permanent Rates and Step Increase

The Settling Parties agree that the Commission should authorize an annual distribution revenue requirement increase of \$10.5 million effective July 1, 2015. The Settling Parties did not reach agreement on an overall rate of return with the exception of the Cast Iron Bare Steel Program as described in Section II.C below, but agree that the \$10.5 million permanent rate increase is a reasonable compromise of all issues relating to the revenue requirement pending before the Commission for the purpose of permanent rates. As the amount expressed above is the result of compromise and settlement, it is a liquidation of all revenue requirement issues. The Settling Parties agree that the revenue requirement recommended to the Commission in this Agreement results in permanent rates for Liberty's customers that are just and reasonable. The permanent rate increase described in this Paragraph A shall be reconcilable to November 1, 2014, consistent with the settlement agreement on temporary rates and Order No. 25,737, in accordance with Paragraph II.E below. The Company shall be permitted to recover an additional \$1.9 million in annual revenue in the form of a step increase in rates for capital additions and for increase in its operating costs. This step increase shall be effective July 1, 2015.

The Settling Parties agree that the revenue requirement for permanent rates and the step increase described in this Section II.A are a total liquidation of the Company's requested rate relief in this case, and is consistent with the limitations on cost recovery set forth in the Settlement Agreement in DG 11-040 and approved by Order 25,370. The Company further

agrees that it will not seek recovery in the future of any transaction and transition costs that are the subject of Section V(D) of the Settlement Agreement in DG 11-040.

B. Annual Revenue Increase

The Settling Parties agree to a total annual revenue increase of \$12,400,000, as described in Section II.A above, effective July 1, 2015. This increase will be collected within permanent distribution rates. There will be no increase in the revenues collected within the Cost of Gas Clause (“COGC”) as a component of indirect gas costs. Except as provided for specifically under this Settlement Agreement, the Settling Parties agree that the Company’s next filing of a distribution base rate case shall be based on an historic test year of no earlier than twelve months ending December 31, 2016.

C. Distribution Rates

The Settling Parties agree the Company’s annual distribution revenue requirement associated with the revenue increases described in Section A and B above shall be allocated to customer classes as indicated in Attachment 1, which is attached to this Settlement Agreement.

D. Rate of Return for Cast Iron/Bare Steel Replacement

For the purpose of determining the revenue requirement on assets placed into service under the Cast Iron/Bare Steel replacement program, the Company shall calculate its rate of return using a 9.25% return on equity and a 50% debt/50% equity capital structure.

E. Recoupment and Revenue Difference

The Settling Parties agree that recoupment of the revenue difference between temporary and permanent rates provided for in Section II.A, consistent with RSA 378:29, shall be recovered from all firm tariffed customers over an eighteen month period beginning July 1, 2015 through a

uniform charge per therm, in accordance with the provisions of Liberty's Local Delivery Adjustment Clause ("LDAC") in its tariff. The Reconciliation of Permanent Changes in Delivery Rates (the "RPC") for effect on July 1, 2015 is derived and designated in Attachment 2 which is attached to this Settlement Agreement. The RPC is calculated based on the difference between temporary rates and permanent rates using actual billing data from November 2014 through April 2015 and estimated billing data for May 2015 through June 2015. On or before September 30, 2015, Liberty shall file with the Commission, for its review and approval, a reconciliation of the RPC using actual billing data for November 2014 through June 2015. In its 2015 and 2016 Winter Cost of Gas Filings, Liberty shall file with the Commission, for its review and approval, a reconciliation of the approved RPC expense and revenues collected through the RPC based on actual and projected recoveries and a revised LDAC rate commutation to eliminate any projected under- or over-recovered at the end of the eighteen month period. The calculation of the LDAC rate for effect July 1, 2015 including both recoupment and rate case expenses (as discussed in Section II.F) is shown on Attachment 4.

F. Rate Case Expenses

The Settling Parties agree that Liberty's prudently incurred rate case expenses, as approved by the Commission, be recovered from all firm tariffed customers over an eighteen month period beginning July 1, 2015 through a uniform charge per therm, in accordance with the provisions of Liberty's Local Delivery Adjustment Clause ("LDAC") tariff. The Rate Case Expenses charge (the "RCE") for effect on July 1, 2015 is derived and designated in Attachment 3 which is attached to this Settlement Agreement. The RCE reflects actual rate case expenses incurred through April 2015 and estimated rate case expenses through the conclusion of the proceeding. On or before September 30, 2015, Liberty shall file with the Commission, for its

review and approval, the final actual amount of rate case expenses. In its 2015 and 2016 Winter Cost of Gas Filings, Liberty shall file with the Commission, for its review and approval, a reconciliation of the rate case expenses approved for recovery and revenues collected through the RCE based on actual and projected recoveries and a revised LDAC rate commendation to eliminate any projected under- or over-recovered at the end of the eighteen month period.

G. Rate Design

The Settling Parties agree that the rates for effect on July 1, 2015, as a result of this Agreement, shall be the rates shown in Attachment 5 hereto. The Company's rate design shall be fully reviewed in the Company's next general distribution rate case.

H. Pension and OPEB Regulatory Asset

Consistent with the settlement agreement in Docket No. DG 11-040, the Company established a regulatory asset to reflect the fair value of its pension and OPEBs as of the date of closing of the acquisition approved in that docket. The Company will commence amortization of that asset as of the effective date of permanent rates in the next distribution rate case.

I. Amortization of Costs to Achieve

The Company will continue to amortize the balance of the regulatory asset for the costs to achieve the National Grid/Keyspan merger that was the subject of Docket No. DG 06-107 at an annual rate of \$409,200, with \$181,327 included in the revenue requirement used for ratemaking purposes, consistent with determinations made in Docket No. DG 10-017, the Company's previous distribution rate case.

J. Soft-Off Policy

The Settling Parties agree that the Company will implement its revised Soft Off policy described in Attachment 6 hereto no later than September 1, 2015. Following implementation, the Company may modify the policy set forth in Attachment 6 as it deems appropriate and will notify the other Settling Parties in advance of any such modification. The occupant account management incentive originating from a Settlement Agreement in Dockets DG 07-129 and DG 09-050 that provides for a credit or charge to the summer and winter cost of gas calculations, as determined in the Liberty's annual summer COG filing based on occupant account usage during the prior year and compared to a predetermined benchmark will be discontinued. The Company will track and report to the Commission, within 60 days of calendar year end, the prior year's annual volume and costs attributable to usage by Occupant Accounts (costs shall be broken down by distribution and supply), the number of existing Occupant Accounts, the arrearages for Occupant Accounts (which shall be broken down by such aging categories as are tracked by the Company) and the number of Occupant Accounts opened and closed during the year.

K. Tariff Changes

The Company is authorized to make the following changes to its tariff: (i) eliminate Standby Service, 280 Day Sales Service, 280 Day Transportation Service, and Interruptible Transportation Service rates; (ii) close Outdoor Gas Lighting to new customers; (iii) eliminate its Environmental Surcharge – Relief Holder and Gas Restructuring Expense Calculation provisions from its Local Distribution Adjustment Clause.

L. Audit

The Settling Parties agree that a targeted audit shall be conducted by an independent consultant selected by the Commission following a competitive bid process. The scope of the

targeted audit is outlined in Attachment 7. If any of the Settling Parties has a difference of opinion about what constitutes a “related area” as that term is used in Attachment 7, such difference shall be brought to the Commission for its determination.

M. Bill Impact

The impacts on bill amounts resulting from the rates to be implemented under this Settlement Agreement are shown in Attachment 8.

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 adjustments and provisions set forth herein in their totality are just and reasonable and consistent with the public interest and that the revenues contemplated will be just and reasonable under the circumstances.

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 testimony and supporting documentation should be admitted as full exhibits for purposes of consideration of this Agreement. Agreement to admit all direct testimony without challenge does not constitute agreement by the Settling Parties that the content of the written testimony filed on behalf of Staff or the other parties 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. The Commission's approval of the recommendations in this Agreement shall not constitute a determination or precedent with regard to any specific adjustments, but rather shall constitute only a determination that the revenue requirement and rates resulting from this Agreement are just and reasonable. Furthermore, in light of the fact that they have entered into this Agreement, the Settling Parties have agreed to forego cross-examining witnesses regarding their pre-filed testimony and, therefore, the 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: May 18, 2015

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



By its Attorney
Sarah B. Knowlton

Dated: May 19, 2015

STAFF OF THE NEW HAMPSHIRE PUBLIC
UTILITIES COMMISSION



By its Attorney
Michael Sheehan

Dated: May , 2015

OFFICE OF CONSUMER ADVOCATE

By its Attorney
Susan Chamberlin

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: May 18, 2015

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



By its Attorney
Sarah B. Knowlton

Dated: May __, 2015

STAFF OF THE NEW HAMPSHIRE PUBLIC
UTILITIES COMMISSION

By its Attorney
Michael Sheehan

Dated: May __, 2015

OFFICE OF CONSUMER ADVOCATE



By its Attorney
Susan Chamberlin

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