

**STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION**

**Carrying Charge Rate Regarding)
Supply Related Cash Working)
Capital)**

DOCKET NO. DG 07-072

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into this 12th day of March, 2009, by and among Unitil Energy Systems, Inc. ("UES"), Northern Utilities, Inc. ("Northern"), and the Staff of the New Hampshire Public Utilities Commission (collectively, the "Settling Parties and Staff") with the intent of resolving all issues in the above-captioned proceeding with respect to UES and Northern.

**ARTICLE I.
Introduction**

1.1 This proceeding was opened by the New Hampshire Public Utilities Commission ("Commission") on June 25, 2007, to consider, inter alia, issues related to the appropriate carrying charge rates for cash working capital related to gas supply costs and the effective date for such interest rate to the extent it is different from the currently effective rate. The order of notice indicated that if a new method for calculating the carrying charge is appropriate for the gas utilities, the principle may also apply to electric utilities. Accordingly, Energy North Natural Gas, Inc (Energy North), Northern, UES, Granite State Electric Company (Granite State) and Public Service Company of New Hampshire (PSNH) were made parties to the docket.

1.2 Pursuant to the Prehearing Conference Order issued by the Commission on September 27, 2007, (Order No. 24,793) the docket was divided into two phases, with the first to

determine whether the existing practice of using the overall cost of capital as the return on working capital should be changed to using a short-term debt rate. The Commission deferred consideration of the scope of the second phase, including the effective date of any new methodology, to the conclusion of the initial phase.

1.3 On May 5, 2008, Staff filed the direct testimony and schedules of James A. Rothschild. Four utility companies¹ jointly filed the direct testimony and schedules of Robert B. Hevert on August 28, 2008. Staff submitted rebuttal testimony of Mr. Rothchild on October 3, 2008. As a result of updated information and clarification of data obtained through discovery and technical sessions, Mr. Rothschild's direct testimony was updated, and the third and final version of the testimony was submitted on November 14, 2008. In response to the revised direct testimony of Mr. Rothschild, Mr. Hevert submitted supplemental testimony on December 5, 2008.

1.4 During the course of the procedural schedule, the Settling Parties and Staff each propounded and responded to several rounds of discovery, including data requests and technical sessions.

1.5 Based upon information gathered through discovery, the submission of testimony and numerous technical sessions, the Settling Parties and Staff have reached agreement on the issues in this proceeding as follows:

¹ Energy North, Northern, UES and Granite State.

ARTICLE II.
Carrying Charge

2.1 Effective November 1, 2008, and thereafter, the carrying charge rate for cash working capital related to gas supply costs for Northern is to be adjusted monthly using the monthly prime lending rate, as reported by the Federal Reserve Statistical Release of Selected Interest Rates.

2.2 The carrying charge for cash working capital related to electric supply costs for UES shall remain at the prime lending rate, as reported by the Federal Reserve Statistical Release of Selected Interest Rates, and fixed on a monthly basis, consistent with Commission Order No. 24,682.

ARTICLE III.
General Provisions

3.1 The Settling Parties and Staff agree and recommend that the Commission find that the terms of this Settlement Agreement are just and reasonable and consistent with the public interest and should be adopted in full.

3.2 This Agreement is expressly conditioned upon the Commission's acceptance of all its provisions, without change or further condition. If the Commission does not accept the 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 or Staff is unable to agree with said changes, conditions or findings, the Agreement shall be deemed to be withdrawn and shall not constitute any part of the record in this proceeding and shall not be used for any other purpose.

3.3 Under this Agreement, the Settling Parties and Staff agree to this joint submission to the Commission as a resolution of the issues specified herein only.

3.4 The Settling Parties and Staff agree that the Commission's acceptance of the Agreement does not constitute continuing approval of, or precedent for, any particular issue in this proceeding, except that the matters set forth in this agreement shall be binding to the extent expressly set forth herein. Acceptance of this Settlement Agreement by the Commission shall not be deemed to restrain this Commission's exercise of its authority to promulgate future orders, regulations or rules that resolve similar matters affecting other parties in a different fashion, nor shall this Settlement Agreement be deemed to restrain the authority of the Legislature to enact any law that would resolve the matters covered by this Settlement Agreement in a different fashion.

3.5 This Agreement shall not be deemed an admission by any of the Settling Parties or Staff that any allegation or contention in this proceeding by any other Party, other than those specifically agreed to herein, is true and valid. This Agreement shall not be deemed to foreclose Staff or a Settling Party from taking any position in any subsequent proceedings, with the exception of those specifically agreed to herein.

3.6 The Settling Parties and Staff agree that all pre-filed testimony and supporting documentation should be admitted as full exhibits for the purpose of consideration of this Agreement, and be given whatever weight the Commission deems appropriate.² Agreement to admit all pre-filed testimony without challenge does not constitute agreement by any of the Settling

² These testimonies consist of: Mr. Rothschild's direct testimony filed on November 14, 2008 and rebuttal testimony filed on October 3, 2008; and Mr. Hevert's direct testimony filed on August 28, 2008 and supplemental testimony filed on December 5, 2008, as well as the supporting schedules attached to each of these four testimonies.

Parties or Staff that the content of the pre-filed testimony is accurate or that the views of the witnesses should be assigned any particular weight by the Commission.

3.7 The rights conferred and obligations imposed on any Settling Party by this Settlement Agreement shall be binding on or inure to the benefit of their successors in interest or assignees as if such successor or assignee was itself a Party hereto.


3.8 This Settlement Agreement is the product of confidential settlement negotiations. The content of these negotiations, including any documents prepared during such negotiations for the purpose of reaching a settlement, shall be privileged and all offers of settlement shall be without prejudice to the position of any party presenting such offer.

3.9 This Agreement may be executed in multiple counterparts, which together shall constitute one agreement.

ARTICLE IV.
Conclusion

4.1 The Settling Parties and Staff affirm that the proposed Settlement Agreement is appropriate, just and reasonable and should be approved.

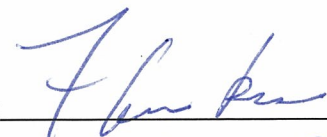
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PURSUANT TO N.H. ADMIN RULE 203.09 (d), FILE DISCOVERY

DIRECTLY WITH THE FOLLOWING STAFF

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BULK MATERIALS:

Upon request, Staff may waive receipt of some of its multiple copies of bulk materials filed as data responses. Staff cannot waive other parties' right to receive bulk materials.

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