

Technical Statement in Support of Proposed Long Term Borrowing
by Granite State Electric Company

1. My name is David Bronicheski. I am the Chief Financial Officer of Algonquin Power & Utilities Corp., which indirectly owns all of the issued and outstanding capital stock of Liberty Energy Utilities (New Hampshire) Corp. ("Liberty Energy NH") as well as Liberty Utilities Co. ("Liberty Utilities"), and Liberty Energy Utilities Co. ("Liberty Energy"), each of which is discussed below.
2. I am providing this Technical Statement in support of the proposed issuance by Granite State Electric Company ("Granite State") of a promissory note to Liberty Utilities in conjunction with the proposed purchase from National Grid USA of all of the issued and outstanding common stock of Granite State by Liberty Energy NH, as assignee from Liberty Energy. I supervised the preparation of the various financial statements being filed with the Commission in connection with this Technical Statement and the proposed borrowing by Granite State from Liberty Utilities.
3. The purpose of the proposed debt issuance by Granite State is to recapitalize Granite State in conjunction with the acquisition of its stock by Liberty Energy NH and thereby adjust Granite State's capitalization ratio from its existing level of approximately 20% debt and 80% equity to approximately 45% debt and 55% equity.
4. As set forth in the Summary of Capitalization attached to this Technical Statement as Exhibit 1, Granite State had 60,400 shares of \$100 par value common stock outstanding and existing long term debt of \$15,000,000 as of September 30, 2011. The existing long term debt of Granite State consists of three separate notes of \$5,000,000 each, payable to Genworth, Metlife, and Paul Revere at rates of 7.37%, 7.94%, and 7.30%, respectively. Granite State had no material short term debt as of September 30, 2011.
5. The amount of the promissory note for which Granite State seeks Commission authorization in conjunction with the stock transfer is 45% of the total capital of Granite State as set forth on its balance sheet prepared as of the date of the stock transfer on a basis consistent with the balance sheet attached to this Technical Statement as Exhibit 2, up to a maximum principal amount of \$20,000,000.
6. Also attached to this Technical Statement as Exhibit 3 is an income statement for Granite State as of September 30, 2011, showing pro forma adjustments reflecting the impact of the proposed borrowing, including the projected issuance costs of the borrowing.
7. The new long term debt that Granite State proposes to issue will be in the form of an unsecured promissory note to be issued to Liberty Utilities. A copy of the proposed promissory note is attached to this Technical Statement as Exhibit 4.

8. I hereby certify that the securities to be issued will be consistent with the public good and that, upon approval of the proposed stock transfer from National Grid USA to Liberty Energy NH and approval of the proposed long term borrowing by the Commission, Granite State will be entitled to issue said securities under RSA 369 for the purposes set forth above. To the extent required by the Commission, I hereby agree on behalf of Granite State to provide a further certification in accordance with Puc 308.12(b)(2)g, (d), and (e) upon consummation of the proposed stock transfer.

The foregoing Technical Statement and the accompanying exhibits are true and correct to the best of my knowledge and belief.

Date: March 13, 2012



David Bronicheski

EXHIBIT 1
GRANITE STATE ELECTRIC COMPANY
SUMMARY OF CAPITALIZATION

Granite State	September 30, 2011 (unaudited)	Pro Forma Adjustments (A)	Pro forma September 30, 2011
Common stock, \$100 per share, issued and outstanding 60,400 shares	6,040	-	6,040
Additional paid-in capital	40,054	11,476	51,530
Retained Earnings	33,926	(33,428)	498
Accumulated other comprehensive loss	(6,079)	6,079	-
Total Equity	73,941	(15,873)	58,068
Long Term Debt	15,000	18,065	33,065
Total Debt	15,000	18,065	33,065
Total Capitalization	88,941	2,192	91,133
Deferred taxes for Regulatory			(17,655)
Adjusted Regulatory Capitalization	88,941	2,192	73,478

45%
33,065

(A) See footnotes to pro-forma balance sheets

(B) Existing Company debt not transferred with Transaction. Proforma balance is new debt See summary table of capitalization

EXHIBIT 2
GRANITE STATE ELECTRIC COMPANY
PROFORMA BALANCE SHEET
(in thousands of dollars, except per share and number of shares data)

	September 30, 2011		Pro forma September 30, 2011
	(unaudited)		
ASSETS			
Current Assets			
Cash and cash equivalents	588		588
Restricted cash	3,270		3,270
Accounts Receivable	11,534		11,534
Allowance for doubtful accounts	(595)		(595)
Intercompany money pool	5,250	(5,250) a	-
Unbilled revenues	858		858
Material and supplies, at average cost	576		576
Current deferred income tax assets	1,051		1,051
Prepaid and other current assets	2,134		2,134
Total current assets	24,666		19,416
Property, plant and equipment, net			
	84,173	(4,296) g	79,877
Deferred charges and other assets:			
Regulatory assets	5,419	10,132 d	15,551
Goodwill	19,352	(19,352) b	-
Deferred Debt Issuance Costs		285 i.	285
Other deferred charges	1,131	(1,081) c	50
Total deferred charges and other assets	25,902		15,886
Total Assets	\$ 134,741		\$ 115,179
LIABILITIES AND CAPITALIZATION			
Current liabilities:			
Accounts payable	7,106	(35) a	7,071
Accounts payable to affiliates, net	35		35
Taxes accrued	558		558
Customer deposits	649		649
Interest accrued	437		437
Regulatory liabilities	947		947
Other current liabilities	3,156		3,156
Total current liabilities	12,888		12,853
Deferred credits and other liabilities			
Regulatory liabilities	8,331	(4,297) g	4,034
Deferred income tax liabilities	14,302	4,053 d	700
		(17,655) e	
Postretirement benefits and other reserves	5,442	(1,081) c	4,361
Intercompany Payable		285 i	285
Other deferred liabilities	4,837	(3,024) f	1,813
Total deferred credits and other liabilities	32,912		11,193
Capitalization			
Shareholder's equity			
Common stock, \$100 per share, issued and outstanding 60,400 shares	6,040		6,040
Additional paid-in capital	40,054	(5,214) a	51,530
		(19,352) b	
		17,655 e	
		3,024 f	
		33,428 h	
		(18,065) j	
Retained Earnings	33,926	(33,428) h	498
Accumulated other comprehensive loss	(6,079)	6,079 d	-
Total shareholder's equity	73,941		58,068
Long-term debt	15,000	18,065 j	33,065
Total capitalization	88,941		91,133
Total liabilities and capitalization	\$ 134,741		\$ 115,179

Check

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Notes to Pro-Forma adjustments

- a** Intercompany Receivables and Payables are not part of the transaction
- b** Remove existing goodwill.
- c** Non-qualified pension assets and liabilities remain obligation of National Grid.
- d** Estimated Regulatory asset related to Pension Purchase Accounting adjustment. Amount is based on unamortized losses and gains in AOCI. This amount will change depending on final number of employees transferring from National Grid and will be determined as of closing date.
- e** To record effect of deemed asset acquisition (338(h)(10) election) - reduce plant related accumulated deferred income taxes.
- f** To remove Fin 48 tax reserve.
- g** Cost of removal adjustment.
- h** Removal of prior retained earnings.

i Deferred Debt Issuance Costs - Assuming 10 year amortization	
Total Deferred Costs	300000
Less: Paid in Current Period	15000
Deferred Debt Issuance Costs	<u>285000</u>

Recorded as intercompany payable as issuance costs will be paid by parent

- j** Adjust Capitalization - debt at 45% See summary table of capitalization

EXHIBIT 3
GRANITE STATE ELECTRIC COMPANY
PROFORMA INCOME STATEMENT
(in thousands of dollars, except per share and number of shares data)

	Six Months Ended September 30,		
	2011	Pro Forma Adjustments	Pro forma 2011
Operating revenues	\$ 42,310		\$ 42,310
Electricity purchased for resale	22,245		\$ 22,245
Operating and maintenance	13,942		\$ 13,942
Depreciation and amortization	2,524		\$ 2,524
Other taxes	1,450		\$ 1,450
Total operating expenses	40,161	-	40,161
Operating income	2,149	-	2,149
Other income and (deductions):			
Interest on long-term debt	(567)		\$ (567)
Other interest, including affiliate interest	(64)	64 (a)	\$ -
Interest on new debt		(470) (b)	\$ (470)
Amortization of debt issuance costs		(14) (c)	\$ (14)
Other (deductions) income, net	(26)		\$ (26)
Total other deductions	(657)	(419)	(1,076)
Loss before income taxes	1,492	(419)	1,073
Income tax expense	575		\$ 575
Net Income	\$ 917	\$ (419)	\$ 498
Check			\$ (419)

(a) Elimination of interco interest which will no longer exists due to acquisition

(b) Interest Rate:
Interest rate is assumed for the purposes of pro forma adjustments to be 5.20%

Assumed Interest Expense Calculation

Principal		18,065,000
Principal Paydown		
Outstanding Principal		18,065,000
Interest Rate to parent	5.20%	939,380
Annual Interest Expense		939,380
Int Exp - 6mths		469,690

(c) Debt Issuance Costs 30,000
Amortization - 6 months 15,000

EXHIBIT 4
PROMISSORY NOTE

\$ _____

[Date _____]

FOR VALUE RECEIVED GRANITE STATE ELECTRIC COMPANY, a corporation duly organized under the laws of the State of New Hampshire ("Borrower"), hereby promises to pay to the order of LIBERTY UTILITIES CO., or registered assigns (the "Lender") the principal sum of [\$ _____] (the "Loan"), together with interest on the outstanding principal balance as set forth herein.

1. Interest Rate. Interest on the principal balance of the Loan shall accrue at a rate of [_____] per annum (the "Interest Rate"). The Interest Rate shall be equal to (a) the interest rate payable on the Series A ____% Senior Notes due 20__ (the "Liberty Notes") issued by Liberty Utilities Finance GP1 ("Issuer") and guaranteed by Lender pursuant to the terms of that certain Indenture by and among Issuer, as issuer, Lender, as guarantor, and The Bank of New York Mellon Trust Company, N.A., as trustee, dated as of _____, 2012 and that certain First Supplemental Indenture by and among the same parties dated as of _____, 2012 (collectively, the "Indenture").

2. Issuance Costs. On the execution date of this promissory note, Borrower shall pay to Lender a lump sum amount of [____], which shall be equal to the issuance costs incurred by Issuer on the Loan.

3. Payments.

a. Unless payable earlier as provided herein, the entire outstanding principal balance of the Loan, all accrued and unpaid interest thereon and any other amounts due and owing under this Promissory Note shall be due and payable on _____, which date shall be the same date as the Stated Maturity of the Liberty Notes as defined in the Indenture.

b. Interest on the Loan shall be payable beginning on _____ and thereafter shall be payable semi-annually on _____ and _____ in each year, commencing _____ ("Interest Payment Dates"), which Interest Payment Dates shall correspond to the dates on which interest is payable on the Liberty Notes. Interest on this Promissory Note will be computed on the basis of a 360-day year comprised of twelve 30-day months.

c. Payments on this Promissory Note shall be made in lawful money of the United States of America at the offices of Lender at _____ or at such other place or places as the holder hereof may from time to time designate in writing.

4. Prepayment.

a. If at any time Issuer is required or elects to redeem all or any portion of the Liberty Notes pursuant to the terms thereof, Lender may, at Lender's sole option, demand, and Borrower shall make, a prepayment of a corresponding amount of the principal balance of the Loan (which may be all or any portion of the outstanding principal balance thereof).

b. Any prepayment of the Loan pursuant to this Section 4 shall be accompanied by payment of all accrued but unpaid interest on the principal amount so prepaid.

5. Use of Proceeds. Borrower may use the proceeds of the Loan for acquisitions and for general corporate purposes.

6. Default Interest Rate. If any principal of or interest on any Loan or any other amount payable by the Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to the greater of (a) the Interest Rate plus 2.0% or (b) the Prime Rate plus 2.0%, as calculated by Issuer. For purposes hereof, the "Prime Rate" shall mean the rate of interest publicly announced by J.P. Morgan Securities LLC from time to time in New York, New York as its "base" or "prime" rate.

7. Events of Default. If any of the following events ("Events of Default") shall occur:

a. the Borrower shall fail to pay any principal of the Loan when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise and such failure shall continue unremedied for a period of one Business Day;

b. the Borrower shall fail to pay any interest on the Loan or any other amount (other than an amount referred to in clause (a) of this section) payable under this promissory note, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of five Business Days;

c. an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking: (i) liquidation, reorganization or other relief in respect of the Borrower or its debts, or of a substantial part of its assets, under any federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect; or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered;

d. the Borrower shall: (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state or

foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect; (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (c) of this Section; (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or for a substantial part of its assets; (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding; (v) make a general assignment for the benefit of creditors; or (vi) take any action for the purpose of effecting any of the foregoing; or

e. the Borrower shall become unable, admit in writing its inability or fail generally to pay its debts as they become due;

then Lender may declare the entire principal amount of the Loan then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loan so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower; and in case of any event with respect to the Borrower described in clause (c) or (d) of this section, the principal of the Loan then outstanding, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower. For purposes hereof, the term "Business Day" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed.

8. Notices.

a. All notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(i) if to Lender, to it at Liberty Utilities Co., 2865 Bristol Circle, Oakville, Ontario L6H 7H7, Attention of Treasurer (Telecopy No. 905-465-4514) and General Counsel (Telecopy No. 905-287-2062);

(ii) if to Borrower, to it at [_____]:

b. Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this promissory note shall be deemed to have been given on the date of receipt.

9. Usury Savings Clause. Notwithstanding anything herein to the contrary, if at any time the Interest Rate applicable to the Loan, together with all fees, charges and other amounts

which are treated as interest on the Loan under applicable law (collectively the "Charges"), shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by the Lender holding the Loan in accordance with applicable law, the rate of interest payable in respect of the Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate.

10. Severability. Any provision of this promissory note held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

11. Waivers. No failure or delay by the Lender in exercising any right or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Lender hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have.

12. Amendment. This promissory note may only be changed, modified or otherwise amended by a writing executed by both Borrower and Lender.

13. Costs and Expenses. Borrower agrees to pay on all costs and expenses of Lender, if any, including counsel fees and expenses, incurred in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this promissory note.

14. Governing Law. This promissory note shall be governed by and construed in accordance with the laws of the State of New York without regard to principles of conflict of law except Section 5-1401 of the New York General Obligations Law.

15. Successors and Assigns. This promissory note shall be binding upon Borrower and its successors, and shall inure to the benefit of Lender and its successors and permitted assigns. Borrower may not assign its obligations under this Promissory Note without Lender's prior written consent (and any attempted assignment or transfer by the Borrower without such consent shall be null and void).

[Intentionally left blank]

IN WITNESS WHEREOF, the Borrower has caused this instrument to be duly executed.

[BORROWER]

By: GRANITE STATE ELECTRIC COMPANY

Name: _____

Title _____