

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

DE 13-196

**Granite State Electric Company d/b/a Liberty Utilities
Storm Recovery Adjustment Factor**

**STIPULATION AND SETTLEMENT AGREEMENT
REGARDING STORM RECOVERY ADJUSTMENT FACTOR**

This Stipulation and Settlement Regarding Storm Recovery Adjustment Factor (the “Settlement Agreement”) is entered into this 20th day of September, 2013 by Granite State Electric Company 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 regarding Liberty’s request for in an increase in its Storm Recovery Adjustment Factor in this proceeding.

I. INTRODUCTION

On March 29, 2013, Liberty filed schedules and testimony in support of a request in Docket No. DE 13-063 for a permanent increase in the Company’s distribution rates. Among other things, those schedules provided for an increase in the Storm Recovery Adjustment (“SRA”) Factor, designed to recover, by the end of 2019, the deficit balance in the Company’s Storm Fund which was approximately \$6.7 million at that time. Also with the filed schedules, the Company included a petition for a temporary rate increase. On June 3, 2013, the Settling Parties entered into a settlement agreement which, in addition to an agreement on the temporary rate increase, provided for a separate process for the Commission’s consideration of an increase in the Company’s SRA Factor, effective with service rendered on and after November 1, 2013.

On July 17, 2013, Liberty filed schedules and testimony in support of request for an increase in the SRA Factor from its current level of \$0.00223 per kWh to \$0.00388 per kWh, effective November 1, 2013. In its testimony, Liberty explained that as of April 2013, Liberty's Storm Fund was in a deficit position of \$6,128,608 because of the size and frequency of recent major storms. At the proposed increased rate of \$0.00388 per kWh, Liberty expected to recover this deficit over a period of 17 months.

Representatives of the Settling Parties attended a technical session on the SRA Factor on September 3, 2013. Subsequent to that date, the Settling Parties participated in settlement discussions on the Company's request for an increase in the SRA Factor. This Settlement Agreement results from those discussions, and includes an agreement on an increase in the SRA Factor.

II. SETTLEMENT OF REQUEST FOR INCREASE IN STORM RECOVERY ADJUSTMENT FACTOR

A. 2013 – 2014 SRA Factor

The Settling Parties agree to an increase in the SRA Factor to \$0.00329 per kWh effective November 1, 2013. The SRA Factor will remain at that level until October 31, 2014. The current level of the SRA Factor is \$0.00223 per kWh.

B. 2014 – 2015 SRA Factor

The Settling Parties agree that the SRA Factor will then be reduced to \$0.00221 per kWh effective November 1, 2014 and will remain at that level until October 31, 2015.

C. Post-November 2015 Rate

The rates agreed to above are expected to recover approximately \$5.07 million, the amount of the deficit that is expected to be outstanding as of November 1, 2013. The Settling Parties agree and stipulate that the SRA Factor that is the subject of this

Settlement Agreement is not intended to recover the costs of any storms that may occur between November 1, 2013 and October 31, 2015. The Settling Parties agree that they will meet prior to October 31, 2015 to determine the disposition of any remaining balance in the Storm Fund account (positive or negative) as of October 31, 2015.

III. MISCELLANEOUS PROVISIONS

The Settling Parties agree to the following miscellaneous provisions:

A. Binding on Parties.

Each of the Settling Parties agrees to support the terms and conditions contained herein, and understand that this Settlement Agreement is subject to Commission approval. The Settling Parties acknowledge that in reaching this Settlement Agreement, Staff has relied on Liberty's filing, discovery responses, and representations in settlement discussions.

B. Integrated Terms of Settlement.

This Settlement Agreement represents an integrated resolution of issues concerning Liberty's request for an increase in the SRA Factor. Accordingly, the effectiveness of this Settlement Agreement is conditioned upon the Commission adopting this Settlement Agreement in its entirety, without condition or modification. If the Commission does not approve this Settlement Agreement in its entirety and without modification or condition, any of the Settling Parties shall have an opportunity to amend this Settlement Agreement upon mutual agreement of the Settling Parties, or any party may terminate the Settlement Agreement. If terminated, this Settlement

Agreement shall be deemed withdrawn and shall not constitute a part of the record in any proceeding or be used for any purpose.

C. Procedure

The Settling Parties shall cooperate in submitting this Settlement Agreement promptly to the Commission for approval so that it may be implemented on November 1, 2013. The Settling Parties shall request that the Commission consider this Settlement Agreement at the previously scheduled hearing on the merits to be held September 25, 2013, and shall make a witness or witnesses available as necessary to answer questions in support of this Settlement Agreement, or provide such other support as the Commission requests. The Settling Parties agree to cooperate, in good faith, in the development of such other information as may be necessary to support and explain the basis of this Settlement Agreement and to supplement the record accordingly.

D. No Precedent

By executing this Settlement Agreement, neither Liberty nor Staff shall be deemed to have accepted or consented to the facts, principles, methods, or theories employed in arriving at the terms of the Settlement Agreement, and except to the extent expressly set forth herein, the Settling Parties shall not be deemed to have agreed that such a Settlement Agreement is appropriate for resolving any issues in the permanent distribution rate proceeding in Docket No. DE 13-063 or in any other proceeding. Further, the Settling Parties acknowledge that this Settlement Agreement does not represent agreement on the prudence of costs incurred by Liberty nor any potential adjustment to those costs associated with the following storms: Hurricane Irene

(August 2011), the October 2011 snowstorm, and Hurricane Sandy (October 2012).

As of the date of this settlement agreement, the costs associated with Hurricane Sandy have been audited by Staff, but the costs associated with Hurricane Irene and the October 2011 snow storm have yet to be audited.

E. Confidentiality

This Settlement Agreement is the product of confidential settlement negotiations. The content of these negotiations, including any documents prepared during the course of 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.

F. Execution

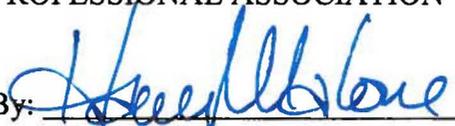
This Settlement Agreement may be executed by each of the Settling Parties in several counterparts, through original and/or facsimile signature, and as executed shall constitute one agreement.

WHEREFORE, Liberty and Staff recommend that the Commission issue an order approving the terms and conditions of this Settlement Agreement in its entirety.

Dated: September 23, 2013

GRANITE STATE ELECTRIC COMPANY
D/B/A LIBERTY UTILITIES

By Its Attorneys,
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Dated: September 23, 2013

STAFF OF THE NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION



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