

**STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

**DG 14-180**

**LIBERTY UTILITIES (ENERGYNORTH NATURAL GAS) CORP.**

**d/b/a LIBERTY UTILITIES**

**Petition for Permanent Rate Increase**

**Order Approving Settlement Agreement and Permanent Rates**

**ORDER NO. 25,797**

**June 26, 2015**

**APPEARANCES:** Sarah B. Knowlton, Esq., for Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities; Wayne R. Jortner, Esq., of the Office of Consumer Advocate, on behalf of residential ratepayers; and Alexander F. Speidel, Esq., and Michael J. Sheehan, Esq., for the Staff of the Public Utilities Commission.

In this Order, we approve a settlement agreement and grant Liberty authority to increase its delivery rates on July 1, 2015. Liberty's last general delivery rate increase was in 2011. The new delivery rates are between 17% and 26% higher than those in effect before Liberty filed this proceeding in July 2014, depending on customer class. This will cause the average customer's total annual bill, which includes the delivery rates approved here and the cost of gas not addressed in this order, to increase between 3.5% and 14.3%, again depending on customer class. The average residential heating customer will see a total bill approximately \$150 per year higher than the July 2014 rates. Approximately \$56 of that increase is already in effect through temporary rates.

**I. PROCEDURAL HISTORY**

On July 2, 2014, Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities (Liberty) filed a notice of intent to file rate schedules pursuant to RSA 378:3, signaling an upcoming request to increase its delivery rates. Liberty filed the proposed rate schedules with supporting testimony and exhibits on August 1, 2014. *See* Hearing Exhibit 1. Liberty sought a permanent delivery rate increase of \$13,442,972 calculated on a rate base of \$172,908,291, and requested approval for a \$2,649,554 step increase in its delivery rates based on \$16,660,624 in capital spending during the twelve months ending March 31, 2015. Hearing Exhibit 1 at Bates Page 87. The last delivery rate increase for the EnergyNorth natural gas franchise was approved in 2011. Order No. 25,202 (Mar. 10, 2011). Liberty also requested an \$8.4 million temporary rate increase pursuant to RSA 378:27 to be in place while the Commission considered the permanent rate request. *Id.* at Bates Page 9. We suspended Liberty's proposed tariff pursuant to RSA 378:6 to further investigate the rate requests and other proposals in Liberty's filing. Order No. 25,711 (Aug. 28, 2014).

The Office of Consumer Advocate (OCA) notified the Commission that it would participate on behalf of residential customers consistent with RSA 363:28. Iberdrola USA Enterprises, Inc., and HotZero, LLC, filed petitions to intervene based on their interests in Liberty's then-pending request to acquire New Hampshire Gas in Docket No. DG 14-155. We granted their intervention petitions, but Iberdrola and HotZero did not participate further after approval of Liberty's purchase of New Hampshire Gas in Order No. 25,736 (Nov. 21, 2014).

Liberty and Commission Staff (Staff) reached a settlement agreement on temporary rates which provided for a \$7,394,075 annual increase, effective December 1, 2014. We approved

that temporary rate in Order No. 25,737 (Nov. 21, 2014). The temporary rate agreement and order allow Liberty to reconcile any difference between temporary and permanent rates as if the permanent rates went into effect on November 1, 2014. Order No. 25,737 at 4.

The OCA and Staff engaged in discovery on Liberty's permanent rate request. Staff's Audit Division conducted a comprehensive audit of Liberty's books and records. Staff and the OCA hired experts to assist with rate design, rate of return, and other issues. Based on a number of findings in the Final Audit Report, the parties agreed to suspend the procedural schedule to further explore the audit issues. Those conversations evolved into settlement discussions leading to the *Stipulation and Settlement Agreement Regarding Permanent Rates* that is the subject of this order. See Hearing Exhibit 5 (Agreement);<sup>1</sup> see Transcript of May 26, 2015, hearing (Tr.) at 26-27 ("it was an evolving process that the audit report gave rise to"). Liberty, the OCA, and Staff represented that the Agreement resolves all outstanding issues in this docket and asked us to approve its terms. Agreement at 1, 8.

We held a public hearing to review the Agreement on May 26, 2015. Witnesses from Liberty (Steven E. Mullen), the OCA (James Brennan), and Staff (Stephen P. Frink and Amanda O. Noonan) testified in support of the Agreement. No witnesses or parties opposed the Agreement, although three ratepayers filed comments early in the docket asking us not to approve Liberty's request.

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<sup>1</sup> The Agreement has eight Attachments. They will be separately cited, for example, as "Attachment 2."

## II. THE SETTLEMENT AGREEMENT

### A. Proposed Rate Changes.

The Agreement contains the following material terms, beginning with the details of the proposed permanent rate increases.<sup>2</sup> The parties agreed that Liberty should receive a \$10.5 million increase in annual delivery revenues beginning July 1, 2015, reconcilable to November 1, 2014, and an additional \$1.9 million step increase effective July 1, 2015, which is not reconcilable to an earlier date. Agreement at 3; Tr. at 9 (Mullen). The agreement contains the parties' assessment that the total permanent delivery rate increase of \$12.4 million results in just and reasonable rates as required by RSA 378:7, RSA 378:27, and RSA 378:28. Agreement at 3.

The parties did not agree on an overall rate of return or on the elements that comprise the proposed \$12.4 million increase. The parties nonetheless stated that the rate increase represents "a reasonable compromise of all issues related to the revenue requirement pending before the Commission for the purpose of permanent rates." Agreement at 3; Tr. at 9. The parties also stipulated that the Agreement is "consistent with the limitations on cost recovery" imposed in *National Grid USA*, Order No. 25,370 at 13, (May 30, 2012), which approved Liberty's acquisition of EnergyNorth. Agreement at 3; Tr. at 10-11.

The parties agreed to reduce the return on equity applicable to Liberty's Cast Iron/Bare Steel Program (CIBS) from 9.67% to 9.25%, and that Liberty will compute its CIBS revenue requirement using a capital structure of 50% debt - 50% equity. Agreement at 4; Tr. at 14, 31. We reviewed Liberty's FY 2015 CIBS costs in a separate proceeding, Docket No. 15-104. In a

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<sup>2</sup> To the extent this summary conflicts with the terms of the Agreement, the Agreement's language controls.

companion order issued this date, we approved a \$253,694 delivery rate increase to cover CIBS costs. Order No. 25,798 (June 26, 2015). The impact of the CIBS rate is included in the discussion below.

**B. Implementation of Rate Changes.**

The Agreement describes how Liberty will implement the rate changes. Liberty will collect the \$12.4 million rate increase – the \$10.5 million reconcilable permanent rate increase plus the \$1.9 million step increase – through its permanent delivery rates and not its cost of gas rates. *Id.* at 4; Tr. at 12. The \$12.4 million increase will be allocated to customer classes as described in Attachment 1, which allocation represents a move closer to rates that reflect each class's actual cost of service. Agreement at 4; Tr. at 12, 16.

Liberty will reconcile the difference between the \$10.5 million permanent rate increase and the temporary rate increase as if the permanent rates went into effect November 1, 2014. Liberty will recoup the estimated difference of approximately \$3,000,000, Attachment 2, over the 18 month period of July 1, 2015, to December 31, 2016, through a uniform per-therm charge included in the Local Distribution Adjustment Clause (LDAC) in Liberty's tariff. Agreement at 4-5; Tr. at 14-15. Liberty will also recoup its estimated rate case expenses of approximately \$400,000, Attachment 3, over that same 18 month period through the LDAC charge. Agreement at 5; Tr. at 15. The recoupment and rate case expenses will be finalized and reconciled in the 2015 and 2016 winter cost of gas proceedings. Agreement at 5-6; Tr. at 15.

Attachment 8 includes Liberty's calculation of the expected bill impacts from these new rates and charges as compared to temporary rates. Hearing Exhibit 6, prepared and filed at our

request, Tr. at 37-39, compares the expected bill impacts to the rates that were in effect prior to filing this rate case. The difference between the delivery rates in effect before Liberty filed this case and the rates that will go into effect on July 1, 2015, is an increase ranging from 17% to 26%, depending on customer class. Exhibit 6 at 7 – 12 (line 67 on each page). This will cause the total annual bill (which includes the delivery rates approved here, the CIBS rate also approved today, and the cost of gas not addressed in this order) to increase between 3.5% and 14.3%, again depending on customer class. *Id.* (line 64). For an average residential heating customer, the expected increase in the total bill (both the delivery rate and the estimated cost of gas rate) is \$149 per year, or 13.31%. Exhibit 6 at 8 (line 63). Such a customer will see a \$93 yearly increase as of July 1, 2015, because approximately \$56 of the annual rate increase is already in effect through temporary rates. Attachment 8 at 8 (line 63).

C. Other Issues Addressed in Agreement.

The Agreement contains administrative provisions not directly bearing on Liberty's rates. The parties agreed that Liberty's next request for an increase in delivery rates (other than the annual CIBS proceedings) will be based on "an historic test year of no earlier than twelve months ending December 31, 2016," Agreement at 4, Tr. at 17, which rate case will include a full review of Liberty's rate design, Agreement at 6. Liberty agreed to an audit by an independent consultant selected by the Commission. Agreement at 7-8. The audit will focus on Liberty's financial processes and customer service as detailed in Attachment 7. Tr. at 21-22.

The Agreement includes proposed changes to Liberty's so-called "soft off" policy. Agreement at 7; Attachment 6; Tr. at 18. A "soft off" is when one customer leaves and the

company does not physically turn off the gas (which would be a “hard” shut off) before another customer takes responsibility for an account. The gas consumed during this interim period (for pilot lights, unauthorized use, and the like) is “unaccounted for” gas, the cost of which is paid by other customers through the cost of gas rate. Liberty was not consistently doing hard shut-offs. Tr. at 19. The goal of the changes to the soft off policy is to reduce the amount of unaccounted for gas. Tr. at 19-20. The new policy limits “soft offs” to certain residential customers, requires hard shut-offs no later than 30 days after Liberty issues a final bill if a new customer does not appear, and permits hard shut-offs during the winter months. Tr. at 19-20; Attachment 6.

The parties agreed to postpone until the next rate case Liberty’s amortization of a regulatory asset related to the value of Liberty’s postretirement benefits other than pensions, or OPEBs. Agreement at 6; Tr. at 17. Liberty will continue to amortize the balance of the regulatory asset related to the “costs to achieve” the National Grid – Keyspan merger addressed in Docket No. DG 06-107. The amortization will be \$409,200 per year with \$181,327 included in the revenue requirement, which is consistent with Order No. 24,777 at 77-79 (July 12, 2007). Agreement at 6; Tr. at 17-18. Finally, the Agreement authorizes Liberty to remove language from its tariff that no longer applies to any customers or charges. Agreement at 7; Tr. at 20.

## **II. POSITION OF THE PARTIES AND STAFF**

### **A. Liberty**

Liberty requested that the Settlement be approved as filed. Tr. at 48. Mr. Mullen reviewed the terms of the Agreement and explained the points of disagreement that led to the absence of a rate of return and of detailed calculations that would explain the agreed rate

increases. Tr. at 7-23. Mr. Mullen testified that the \$8.1 million cap on information technology investments established in the 2012 settlement and order approving Liberty's purchase of the EnergyNorth natural gas system "was a subject of discussion in this proceeding." Tr. at 10. Mr. Mullen explained that "there was a difference of opinion about the specific investments that were subject to the cap." *Id.* Mr. Mullen also noted that there was "a range of other issues, including return on equity, operation and maintenance expenses, rate design, and decoupling, to mention a few," that were disputed through the discovery process. Tr. at 11. Mr. Mullen testified that the final numbers in the Agreement represent an overall resolution or "liquidation" of these disputes and result in "a reasonable increase to annual distribution revenues going forward on July 1." Tr. at 9. Liberty confirmed that the proposed rate increases are consistent with limitations from prior settlement agreements and related orders. Tr. at 10-11, 17.

## **B. OCA**

The OCA is a signatory to the Agreement and expressed its support for an order approving the Agreement. Tr. at 47-48. Mr. Brennan testified to OCA's active participation in the discovery process, its analysis of Liberty's rate proposals, and that the OCA "presented our analytical findings [and] proposed adjustments" to Liberty's rate requests. Tr. at 24. At the conclusion of that process, the OCA concluded that "the \$10.5 million rate increase and \$1.9 million step adjustment, on a liquidated basis ... is a just and reasonable settlement and rate from the perspective of a residential ratepayer." *Id.*



### C. Staff

Staff also expressed support for approval of the Agreement as filed. Tr. at 48. Mr. Frink testified that the Final Audit Report identified 34 issues which caused Staff to recommend suspension of the procedural schedule “to allow us additional time to examine those issues.” Tr. at 27. The primary audit issue was that “Audit Staff was unable to tie some of the amounts that were in the filing with the Company’s general ledger.” *Id.* Liberty provided information during discovery that confirmed for Staff that the “numbers in the filing were ... materially correct.” Liberty also agreed to change its accounting processes to avoid the issue in the future. *Id.*

Staff had concerns about whether the filing included transition or transaction costs from the Liberty-National Grid acquisition, which were to be excluded from rates. Staff carefully examined Liberty’s filing to ensure that it included no transition costs, and no information technology costs in excess of the \$8.1 million cap approved in the National Grid settlement. Staff was concerned that Liberty’s costs during the test year for this case may not accurately reflect its costs going forward because of the many services National Grid provided under its transition service agreements. Tr. at 28.

Staff was also concerned about Liberty’s customer satisfaction survey that Staff received at about the same time as the Final Audit Report. Tr. at 28-29. The customer satisfaction survey was another requirement of the agreement and order approving Liberty’s acquisition of EnergyNorth. The survey showed a “significant drop in customer satisfaction.” Tr. at 29.

Staff testified that the Agreement reasonably addresses these financial and customer-related issues. The Agreement “provides a reasonable return [that is] limited enough that

[Liberty] is expected to file a rate case in 2017, based on a 2016 test year.” Tr. at 29. The Agreement also provides for an “audit of the financial reporting/accounting and the customer service areas ... by an independent third party.” Tr. at 32-33. Ms. Noonan testified that in light of the “customer-impacting issues [that] continue to arise,” the audit will provide an “independent look at those areas [and] identify[] areas for improvement [which] will be very valuable to Liberty and to its customers.” Tr. at 33. The audit will also benefit Liberty’s electric customers because both EnergyNorth and Granite State Electric use the same systems. Tr. at 34.<sup>3</sup>

Mr. Frink listed the other benefits of the Agreement. First, Staff expects Liberty to file its next rate case as soon as the Agreement allows, using a 2016 test year. A 2017 rate case based on a 2016 test year will “be free of any transition costs and more accurately project future operating costs as it will be strictly Liberty costs that will be incurred during that 12-month period.” Tr. at 29-30. A rate case filed in 2017 will also allow Liberty to take advantage of improvements that result from the audit described above. Tr. at 30-31. Second, the CIBS revenue requirement will be lower in light of the reduced rate of return from 9.67% to 9.25%, “a fairly significant decrease that should benefit customers.” Tr. at 31. Third, given that Staff expects Liberty to file a new rate case based on 2016 sales, Liberty is missing only one year under its desired decoupling program proposed in this docket, so there should be “no impact” on Liberty’s energy efficiency programs. Tr. at 31-32. Finally, Mr. Frink agreed that the rates in

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<sup>3</sup> To the extent Granite State Electric benefits from the audit, Staff testified that it will examine whether the audit costs should be shared. Tr. at 36.

the Agreement comply with the conditions from the settlement of the transition docket, No. DG 11-040. Tr. at 30.

### **III. COMMISSION ANALYSIS**

We encourage parties to settle issues through negotiation and compromise because it is an opportunity for creative problem solving, allows the parties to reach a result in line with their expectations, and is often a better alternative to litigation. *Granite State Electric Co.*, Order No. 23,966 at 10 (May 8, 2002); *see* RSA 541-A:31, V(a) (“informal disposition may be made of any contested case ... by stipulation [or] agreed settlement”). Even when all parties join a settlement, however, we must independently determine that the result comports with “applicable standards.” *EnergyNorth Natural Gas, Inc. d/b/a National Grid NH*, Order No. 24,972 at 48 (May 29, 2009) (“we must scrutinize settlement agreements thoroughly regardless of whether a party appears at hearing to raise objections”). We conduct this analysis through a transparent process to ensure that a just and reasonable result has been reached. *Id.*; *see* N.H. Code Admin. Rules Puc 203.20(b) (“The commission shall approve a disposition of any contested case by stipulation [or] settlement ... if it determines that the result is just and reasonable and serves the public interest”). The “applicable standard” governing the proposed settlement in this rate case is whether the resulting rates are “just and reasonable.” RSA 378:7; *Liberty Utilities (Granite State Electric) Corp.*, Order No. 25,638 at 15 (Mar. 17, 2014). Therefore, we must review, consider, and ultimately judge the Agreement according to the just-and-reasonable-rates standard in order to “provide the public with the assurance that a just and reasonable result has been reached.” *EnergyNorth Natural Gas*, Order No. 24,972 at 48.

The challenge in approving the Agreement in this docket is that the parties agreed to the \$12.4 million increase in Liberty's revenue requirement without agreeing on a rate of return or on the underlying calculation that would support the stipulated revenue requirement. Such numbers are typically data points against which we measure the reasonableness of the proposed rates. *See, e.g., Liberty Utilities (Granite State Electric) Corp.*, Order No. 25,638 at 16 (the settlement provided for "an overall rate of return of 7.92%, based upon a return on equity of 9.55%, and the application of a capital structure of 55% equity and 45% debt. We find this rate of return, and return on equity, to be reasonable, and within the scope of recent precedent"). We conclude, however, that the following evidence in the record before us supports a finding that the Agreement will result in just and reasonable rates.

There is no dispute that Liberty was experiencing a revenue deficiency when it filed this case. Liberty stated that its return for the test year ending March 31, 2014, was 4.49%, which is substantially less than the 8.33% return that the Commission authorized Liberty to earn in its last delivery rate case. Exhibit 1 at 8 (Mullen/Gorman testimony); *see* Order No. 25,202 at 4 (Mar. 10, 2011). No party has challenged this fact. Liberty is thus eligible for rate relief in order to have an opportunity to earn a reasonable return.

The process leading up to a settlement is one relevant factor in determining whether we should approve the Agreement. *EnergyNorth Natural Gas*, Order No. 24,972 at 48. That parties involved in a settlement represented a diversity of interests who demonstrated the issues were diligently explored and negotiated at length, provides a basis for concluding that the results of the settlement are reasonable and in the public interest. *Public Service Company of New*

*Hampshire*, Order No. 25,123 at 29 (June 28, 2010). The Agreement is the product of extensive negotiation among parties of diverse interests. All parties opined in the Agreement and through testimony that the rates resulting from the Agreement are reasonable. Exhibit 5 at 3; Tr. at 9 (Mullen), 24 (Brennan), 29 (Frink).

Evidence pertaining to the specific rates proposed provides further support for the Agreement's reasonableness. Liberty agreed to an increase that is substantially less than originally requested and an even further discount from what Liberty claims an updated filing would support. Liberty originally sought a total \$16 million increase and alleged that an updated filing would support an \$18 million increase, but the Agreement provides for a \$12.4 million increase. This is not a dispositive factor, but constitutes some evidence of the reasonableness of the agreed rate increase. See *Liberty Utilities (Granite State Electric) Corp.*, Order No. 25,638 at 15-16.

Liberty agreed to lower the rate of return applicable to its CIBS program from 9.67% to 9.25%. Liberty's CIBS work justifies an annual delivery rate increase to pay capital costs to replace leak-prone pipe. In the CIBS order issued today, we allow recovery of \$3.1 million in such costs that Liberty incurred over the past year. Order No. 25,798 (June 26, 2015). That amount is consistent with the CIBS expenditures in recent years. Order No. 25,684 (June 27, 2014) (\$2.65 million); Order No. 25,539 (June 2013) (\$2.3 million). A nearly one-half percent reduction of Liberty's rate of return on those costs in future CIBS filings is a "fairly significant decrease that should benefit customers." Tr. at 31 (Frink).

Regarding the issues identified in the Final Audit Report and the concerns about the IT and transition costs related to Liberty's acquisition of EnergyNorth, Staff confirmed on further inspection during the pendency of this proceeding that the numbers in Liberty's filing were "materially correct". Tr. at 27 (Frink). Liberty agreed to accounting changes to avoid similar issues in the future. *Id.* Staff and the OCA also stated that the settlement agreement in the acquisition docket precluded recovery of any transition costs and limited IT costs to an \$8.1 million cap. Tr. at 28 (Frink). Although Liberty offered different interpretations of what expenses were transition costs and whether the IT cap applied to certain costs, the parties ultimately agreed that "this Settlement is in accordance with the terms of [the acquisition] Settlement Agreement, in terms of ... transition and transaction costs," Tr. 10 (Mullen), and that this Agreement "reflects the recovery limitations detailed in the acquisition Settlement," Tr. at 30 (Frink).

The last rate-related element that supports the Agreement's reasonableness is Liberty's agreement not to file another rate case until 2017 at the earliest, using a 2016 test year. This "stay out" provision represents a fair balance of the ratepayers' and Liberty's interests. The length of the stay-out provision provides ratepayers some benefit because Liberty cannot file another rate case using an earlier test year, but Liberty avoided a longer stay-out term. The rates approved in this order will remain in effect at least through early 2017, but not longer if Liberty can prove it is entitled to another rate increase. All parties benefit because a later test year will provide a "clean" test year that is free of all transition costs, that better illustrates Liberty's costs, and that will include the changes that arise from the audit discussed below. Tr. at 29-30.

The independent audit requirement supports our decision to approve the Agreement because it will contribute to Liberty's future success. Liberty agreed to an audit by an outside consultant chosen by the Commission who will examine Liberty's "financial reporting/accounting [and] customer service areas." Tr. at 32-33. The consultant will review the "effectiveness and efficiency" of the following: account creation and management; meter data management; billing processes; payments and collections processes; the call center; vendor relationships; corporate services/IT support and service; staffing; accounting; business planning; and property records. The consultant may broaden the scope of the audit if it "determine[s] a review of related areas is appropriate." Exhibit 5 at Bates Pages 24-26 (Attachment 7). We find that the audit is reasonable because, as "Liberty recognizes," "customer-impacting issues continue to arise." Tr. at 33 (Noonan); *see* Tr. at 21 ("the Company is still relatively new, and it's still growing, and its processes are still developing. [W]e acknowledge that there are areas that could use some improvement [and] we are just as anxious to get those areas looked at, find out what's working well, what areas could be improved") (Mullen). The audit will provide an "independent look at those areas, and identify[] areas for improvement, perhaps ... a root cause analysis ... of why things continue to happen ... will be very valuable to Liberty and to its customers." Tr. at 33 (Noonan).

The Agreement covers other administrative issues as discussed above. Liberty will collect all of the rate increase through its permanent delivery rates and not through the cost of gas rates. Liberty will recoup the difference between temporary and permanent rates and the rate case expenses over 18 months. The rate design of this increase moves Liberty closer to true cost

of service rates, a movement we endorse. Liberty will tighten its soft-off policy, another change we support. Liberty will continue amortizing the “costs to achieve” a prior merger and will refrain from amortizing the value of its OPEBs. Liberty will also make minor tariff language changes. We find all these terms of the Agreement reasonable.

Finally, the Agreement avoids litigation of the issues on which the parties could not agree. The parties might have contested at a hearing the appropriate rate of return, whether certain charges were barred by prior settlement agreements, and accounting issues raised in the Final Audit Report, which litigation would likely have required expert testimony. This process is costly, time-consuming, and may not have resulted in a better outcome for any party. As stated earlier, we encourage negotiation and compromise because it allows for creative problem solving, yields results in line with the parties’ expectations, and is often a better alternative to litigation.

We have approved settlements in the past where not all the numbers and calculations were in evidence. For example, in *Public Serv. Co. of N.H.*, Order No. 24,369 at 15 (Sept. 2, 2004), we approved a rate increase where the agreement “contain[ed] no explicit statement of what rate of return is being applied to PSNH.” We approved a later PSNH rate case stating, “[w]hile the settlement agreement states that the parties did not agree on each element leading to that amount, they did agree that the amount was reasonable and appropriate.” *Public Serv. Co. of N.H.*, Order No. 25,123 at 29 (June 28, 2010).

To conclude, the parties agreed that a total \$12.4 million increase represents a reasonable increase to Liberty’s permanent delivery rates. We concur. The increase is sufficient to bridge



the gap to the next rate case in which Liberty will be free from the transition issues described here, will have the benefit of the audit, and will have at least two more years of experience in managing its New Hampshire franchise. Accordingly, we approve the Agreement on permanent rates as filed by the parties as well as the other changes provided in the Agreement and as described above. Our approval of this Settlement Agreement does not limit our disposition of similar matters in future cases.

To facilitate the efficient administration of the Agreement, we authorize Liberty, the OCA, and Staff to modify the Agreement so long as any modification is mutually agreed upon and non-substantive, such as a clerical or ministerial amendment that involves timing or scheduling. The parties shall file any such modification with the Commission and provide a copy to all parties on the service list.

**Based upon the foregoing, it is hereby**

**ORDERED**, that the Settlement Agreement between Liberty, the OCA, and Staff is hereby APPROVED; and it is

**FURTHER ORDERED**, that commencing with service rendered on and after July 1, 2015, Liberty may implement an annual delivery service revenue increase of \$10.5 million, reconciled with temporary rates as of November 1, 2014; and it is

**FURTHER ORDERED**, that Liberty may implement a \$1.9 million step increase commencing with service rendered on and after July 1, 2015; and it is

**FURTHER ORDERED**, that the rate increases ordered above shall be collected and allocated as described in the Agreement; and it is

**FURTHER ORDERED**, that the CIBS rate of return shall be 9.25% and the CIBS revenue requirement shall assume a 50% debt -50 % equity capital structure beginning with the CIBS program for fiscal year 2016; and it is

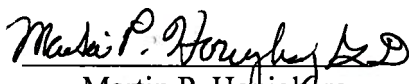
**FURTHER ORDERED**, that Liberty may recoup the difference between permanent and temporary rates and its rate case expenses over 18 months through the LDAC charge as described in the Agreement; and it is

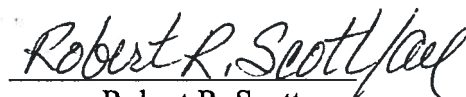
**FURTHER ORDERED**, that Liberty shall adopt the revised soft-off policy as set forth in Attachment 6; and it is

**FURTHER ORDERED**, that the Commission shall retain an independent consultant through a competitive bid process to audit Liberty as described in Attachment 7; and it is

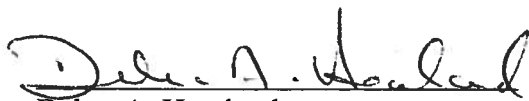
**FURTHER ORDERED**, that Liberty shall file with the Commission properly annotated tariff pages consistent with the Agreement within 10 days of the date of this order, as required by N.H. Code Admin. Rules Puc 1603.

By order of the Public Utilities Commission of New Hampshire this twenty-sixth day of June, 2015.

  
Martin P. Horigberg  
Chairman

  
Robert R. Scott  
Commissioner

Attested by:

  
Debra A. Howland  
Executive Director