

**STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

**DG 14-380**

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

**Petition for Approval of a Firm Transportation  
Agreement with the Tennessee Gas Pipeline Company, LLC**

**Order Approving Stipulation and Settlement Agreement and Precedent Agreement**

**ORDER NO. 25,822**

**October 2, 2015**

**APPEARANCES:** Sarah B. Knowlton, Esq., of Rath, Young and Pignatelli, for Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities; Richard A. Kanoff, Esq., and Zachary R. Gates, Esq., of Burns & Levinson, LLP, for Pipe Line Awareness Network for the Northeast, Inc.; Susan W. Chamberlin, Esq., of the Office of Consumer Advocate, on behalf of residential ratepayers; and Rorie E. Patterson, Esq., for the Staff of the Public Utilities Commission.

In this order, we approve the Stipulation and Settlement Agreement between Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities and the Commission Staff, and approve a 20-year contract for long-term, firm natural gas pipeline capacity on the proposed Northeast Energy Direct pipeline. We find that the Stipulation and Settlement Agreement is just, reasonable and consistent with the public interest, and that the capacity contract is prudent and reasonable.

**I. PROCEDURAL HISTORY**

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities (“EnergyNorth”) is a public utility pursuant to RSA 362:2, that provides natural gas service to approximately 88,000 customers in southern and central New Hampshire and in Berlin. On December 31, 2014, EnergyNorth filed a Petition for Approval of a Firm Transportation

Agreement (“Precedent Agreement”) with Tennessee Gas Pipeline Company, LLC (“TGP”), along with the confidential and redacted direct testimony of Francisco C. DaFonte, Vice President, Energy Procurement, Liberty Energy Utilities (New Hampshire) Corp. The Precedent Agreement, as described further below, requires TGP to construct and operate a pipeline to provide firm, natural gas transportation service (“capacity”) and EnergyNorth to pay for such capacity. EnergyNorth also filed a motion for protective order and confidential treatment regarding the Precedent Agreement. EnergyNorth seeks Commission approval of the Precedent Agreement as well as a determination that its decision to enter into the Precedent Agreement is prudent and consistent with the public interest. The petition and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, may be found on the Commission’s website at:

<http://www.puc.nh.gov/Regulatory/Docketbk/2014/14-380.html>.

The Office of the Consumer Advocate (OCA) notified the Commission of its participation on behalf of residential ratepayers pursuant to RSA 363:28. The Commission received requests to intervene from Pipe Line Awareness Network for the Northeast, Inc. (“PLAN”), and from the Town of Dracut, Massachusetts. PLAN is a Massachusetts nonprofit corporation concerned with the environmental and economic impacts associated with fossil-fuel infrastructure, including gas pipelines. EnergyNorth objected to both requests for intervention.

A prehearing conference was held on February 13, 2015, during which Commission Staff (“Staff”) objected to the Town of Dracut’s motion to intervene and asked the Commission to require additional information from PLAN. The Hearings Examiner denied the Town’s motion on the grounds that it failed to meet the standards for intervention. *See* RSA 541-A:32. The Hearings Examiner reserved a record request for PLAN to provide more information to support

its intervention and a record request for Staff and parties to respond to PLAN's record request. The Hearings Examiner also granted EnergyNorth's motion for confidential treatment filed with its petition. PLAN, Staff, and the Company filed timely responses to the record requests.

On March 6, 2015, the Commission issued Order No. 25,767, granting the intervention of PLAN for its members who are EnergyNorth customers, denying the intervention of PLAN for its members who are not EnergyNorth customers, and limiting PLAN's participation to issues related to the interests of customers in the "prudence, justness, and reasonableness of the [Precedent Agreement]."

The parties and Staff engaged in discovery, and the procedural schedule was revised at points to give PLAN and Staff additional time. On April 1, 2015, EnergyNorth filed a fully executed Amendment to the Precedent Agreement, which extended the deadline for obtaining regulatory approval from July 1 to September 1, 2015.

On May 8, 2015, Staff filed the direct testimony of Melissa Whitten of La Capra Associates, Inc. The OCA filed the direct testimony of Pradip Chattopadhyay, Ph.D., Assistant Consumer Advocate. PLAN filed the direct testimony of John A. Rosenkranz, a principal with North Side Energy, LLC. Following a period of discovery, on June 4, 2015, EnergyNorth filed the rebuttal testimony of Mr. DaFonte and William J. Clark.

On June 26, 2015, Staff filed a motion to accept a late-filed settlement agreement or to reschedule the hearing, together with a Stipulation and Settlement Agreement ("Settlement") between EnergyNorth and Staff. PLAN and the OCA opposed the Settlement, but supported rescheduling the hearing. EnergyNorth favored proceeding with the hearing as scheduled so as not to interfere with the Precedent Agreement's "regulatory-out" deadline. The Commission, by

Secretarial Letter dated June 29, 2015, accepted the late-filed Settlement for consideration and rescheduled the hearing to July 21 and July 22, 2015.

The hearing took place as scheduled and continued for an additional day, on August 6, 2015. Staff and parties filed briefs on August 7, 2015.

## **II. PRECEDENT AGREEMENT AND ENERGYNORTH'S POSITION**

### **A. Terms of the Precedent Agreement**

The Precedent Agreement is a 20-year contract between EnergyNorth and TGP. The terms include up to 115,000 dekatherms (“Dth”) per day of firm capacity, at a fixed rate on the proposed Northeast Energy Direct Market Path pipeline project (“NED Pipeline”).<sup>1</sup> Service is expected to commence on November 1, 2018, unless certain delays occur or certain preconditions are not met.

Of the total 115,000 Dth per day of capacity contracted for in the Precedent Agreement, 50,000 Dth per day is replacement of existing TGP capacity and 65,000 Dth per day is new or incremental capacity. The existing 50,000 Dth per day has a receipt point at Dracut, Massachusetts, and delivery points on the Concord Lateral. The Concord Lateral is TGP's northernmost branch pipeline originating in Dracut, which carries natural gas to primary delivery points at city gate<sup>2</sup> meters in Nashua, Manchester, and Concord (the city gate meter in Concord is referred to as the Laconia meter), for delivery to EnergyNorth's customers in New Hampshire.

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<sup>1</sup> NED plans to develop two separate projects, described as the “Supply Path” and the “Market Path.” The NED Supply Path will transport gas from the Marcellus Shale production area in northeastern Pennsylvania to a natural gas market center location, or price point, in Wright, New York, which is the receipt point for the NED Market Path. The NED Pipeline, which is the subject of the Precedent Agreement, and is sometimes referred to by NED as the Market Path project, will transport natural gas from Wright, New York, to the market center location serving New England Markets, in Dracut, Massachusetts.

<sup>2</sup> A city gate is a transition point between the interstate natural gas pipeline and the distribution company system.

The Precedent Agreement provides firm capacity from the primary receipt point at Wright, New York, to EnergyNorth's existing delivery points in New Hampshire, as well as a new delivery point in West Nashua. The NED Pipeline route traverses approximately 70 miles in Southern New Hampshire. Portions of the route are new "greenfield" rights-of-way, and portions run through existing electric transmission rights-of-way.

The rate in the Precedent Agreement is capped to limit customer exposure to cost overruns; TGP may not charge EnergyNorth more than that maximum rate. The Precedent Agreement secures other benefits, including those associated with EnergyNorth's "anchor shipper" status. EnergyNorth may extend the term of the Precedent Agreement following the initial 20-year term with the approval of the Commission. To take effect, the Federal Energy Regulatory Commission (FERC) must approve the NED Pipeline. FERC's review is ongoing.

EnergyNorth avers that it needs the Precedent Agreement's capacity to reliably satisfy existing and future customer load requirements in its service area. EnergyNorth identified its need for additional, firm capacity in its last approved Least Cost Integrated Resource Plan (IRP) (DG 13-313), and EnergyNorth's capacity needs have increased since then. The Precedent Agreement will provide EnergyNorth with opportunities to expand the reach of its distribution service and to increase distribution system reliability via West Nashua, which will be a new delivery point on the west end of EnergyNorth's distribution system. The Precedent Agreement does not dictate the route of the NED Pipeline; it is a point-to-point contract for capacity from Wright to EnergyNorth's New Hampshire city gates. EnergyNorth contends that the capacity contracted for in the Precedent Agreement is the least cost reliable resource to provide the capacity needed to serve customer demand.

EnergyNorth provided an updated design day demand forecast, which it described as consistent with the approved IRP forecast methodology. EnergyNorth used a 24-year demand forecast. The short-term encompasses the 4-year period commencing with the 2014-2015 winter period and runs through the 2017-2018 winter period. The long-term period encompasses the 20-year period commencing with the 2018-2019 winter period, when the NED Pipeline is scheduled to go into service, and runs through the 2037-2038 winter period. The forecast included projected demand for iNATGAS, a new, long-term special contract customer; and for increases in reverse migration to sales service of EnergyNorth's capacity-exempt transportation customers.<sup>3</sup> EnergyNorth's demand forecast did not include potential distribution system expansion along the NED Pipeline in New Hampshire.

EnergyNorth negotiated the Precedent Agreement as part of a consortium of anchor shippers comprised of New England local natural gas distribution companies (LDCs). Each consortium member, however, requested an amount of capacity suited for its needs. The capacity provided to EnergyNorth through the Precedent Agreement is solely for the benefit of its New Hampshire customers. EnergyNorth contends that negotiating as part of a consortium allowed it and the other participating LDCs to leverage their aggregate capacity needs to negotiate a better discounted anchor shipper rate and other favorable terms that would not have been possible if EnergyNorth had negotiated on its own.

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<sup>3</sup> A capacity-exempt customer is a customer for whom EnergyNorth does not procure capacity; typically, the capacity-exempt customer procures and pays for its capacity in the market. Once a capacity-exempt customer returns to sales service, however, it pays its *pro rata* share of EnergyNorth's capacity costs so long as it remains a customer of EnergyNorth.

## **B. EnergyNorth's Consideration of Alternatives**

EnergyNorth analyzed the NED Pipeline against two alternative pipeline projects, TransCanada/PNGTS's C2C project and Spectra's Atlantic Bridge project. EnergyNorth assumed 115,000 Dth of capacity at the projected maximum rate for each pipeline project for 20 years. EnergyNorth used SENDOUT® (an analytical software tool used for portfolio design) to calculate the total portfolio cost for each project, from November 1, 2018, through October 31, 2038. The SENDOUT® runs showed that the cost of the alternative projects exceeded the NED Pipeline cost. Those results led to EnergyNorth's conclusion that the capacity contracted for in the Precedent Agreement is an appropriate part of a best-cost resource portfolio to meet its present and future capacity needs. EnergyNorth defined a "best-cost resource portfolio" as one that appropriately balances lower costs with other important non-cost criteria such as reliability and flexibility. DaFonte Prefiled Testimony (Dec. 31, 2014) p. 28 ln. 7-8.

The C2C and Atlantic Bridge projects, if constructed, will bring additional supply to Dracut. EnergyNorth's access to the capacity of either of those projects, however, would require upgrades to the TGP Concord Lateral. The costs of the Concord Lateral upgrades are not required for the NED Pipeline and would be an addition to the costs associated with the C2C and Atlantic Bridge projects.

EnergyNorth used estimates provided by TGP for the Concord Lateral upgrade costs that would be required for the C2C and Atlantic Bridge projects. The original estimate assumed one delivery point, at EnergyNorth's existing Nashua city gate. Subsequently, TGP provided EnergyNorth an updated estimate for the Concord Lateral upgrade, with assumptions for multiple delivery points. The updated estimate doubled the cost of the upgrade and further widened the spread between the already-higher costs of the alternative projects' capacity and the

lower cost of the capacity contracted for in the Precedent Agreement. The updated estimate produced capacity costs for the Concord lateral upgrade that, alone, exceeded the combined total cost of the NED Pipeline and the supply project back to Marcellus.<sup>4</sup> Transcript (“Tr.”) Day 2 p. 84 ln. 9-13.

EnergyNorth did not consider expansion of its Liquid Natural Gas (LNG) facilities as an alternative to the capacity contracted for in the Precedent Agreement. EnergyNorth contends that federal law would prevent expansion of existing facilities, because the plants are located in or near densely populated areas. Federal law requires set-backs for vapor dispersion and thermal radiation zones that would make such expansion impractical. Tr. Day 2 p. 62 ln. 16-20. Also, EnergyNorth is not aware of any new sites within its franchise that would work for a new LNG facility with capacity comparable to 115,000 Dth per day. EnergyNorth’s affiliate is participating in a joint venture with Northstar Industries, LLC, and Sampson Energy Company, LLC, to develop LNG liquefaction and storage in Massachusetts. The purpose of that project, however, is to back up EnergyNorth’s existing LNG resources.

EnergyNorth believes that the high energy prices experienced in New England in the last three winters prompted the development of new projects, including the NED Pipeline. EnergyNorth views this project as a rare opportunity to secure capacity needed for the coming years and believes the Precedent Agreement secures such capacity on terms consistent with EnergyNorth’s “best-cost” portfolio philosophy.

### **C. The Role of EnergyNorth’s Affiliates**

EnergyNorth denied that its relationship with a pipeline affiliate, Liberty Utilities (Pipeline and Transmission) Corp. (“Liberty Pipeline”) influenced its decisions to contract for

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<sup>4</sup> See footnote 1 for a description of the NED Pipeline and the NED Supply Path project.



capacity with TGP or to contract for a volume of 115,000 Dth per day. *See* Tr. Day 2 p. 29, ln. 18-23. Algonquin Power & Utilities Corp. (“APUC”) owns both Liberty Pipeline and EnergyNorth. Liberty Pipeline and Kinder Morgan, Inc. (Kinder Morgan), jointly own Northeast Expansion LLC which in turn owns the proposed NED Pipeline. Liberty Pipeline’s interest in Northeast Expansion is 2.5 percent but could increase to 10 percent. The value of Liberty Pipeline’s investment is up to \$400 million. Liberty Pipeline, through Northeast Expansion, has leased its rights to capacity on the NED Pipeline to TGP, which is wholly owned by Kinder Morgan. Hearing Exh. 36. TGP will operate the NED Pipeline. On July 16, 2015, TGP announced that it would proceed with the NED Pipeline if the contracts with the LDCs, including the Precedent Agreement, are approved by the utilities’ regulators.

The Precedent Agreement secures EnergyNorth’s long-term use of some of the capacity available on the proposed NED Pipeline from TGP, not from an affiliate of EnergyNorth. EnergyNorth denied receiving any direction from its Board of Directors about the terms of the Precedent Agreement. *See* Transcript Day 2 page 29, lines 18-23 (Board did not discuss with management how much capacity EnergyNorth should contract for on the NED Pipeline); and Exhibit 37 (no documents exist memorializing obligations of EnergyNorth concerning the terms and conditions of the Precedent Agreement to entities involved with establishing or funding the NED Pipeline); *see also* Transcript Day 1 p. 208 ln. 8-22 (Board of Directors was not yet involved when EnergyNorth responded to the NED Pipeline open season, seeking 115,000 Dth per day).

#### **D. Limitations on EnergyNorth’s Ability to Renegotiate Terms**

EnergyNorth responded to suggestions that it could renegotiate the amount of capacity in the Precedent Agreement, by stating that given the terms of the Precedent Agreement, TGP has

no obligation to contract with EnergyNorth for any amount less than 100,000 Dth per day. EnergyNorth contended that any renegotiation of the capacity amount would require the renegotiation of all the Precedent Agreement's terms and conditions. EnergyNorth asserted that renegotiation would put customers at risk, particularly now that the C2C and Atlantic Bridge projects are fully subscribed. Risks to customers could include paying more than the fixed rate already secured by the Precedent Agreement or losing other benefits contained therein.

### **III. INITIAL POSITIONS**

#### **A. Staff**

Staff, through its expert, opposed the Precedent Agreement as originally proposed. Staff agreed that EnergyNorth demonstrated the need for incremental capacity and that the NED Pipeline was the least-cost alternative among those considered by EnergyNorth. Staff, however, took the position that EnergyNorth had not supported, (1) the proposed amount of 115,000 Dth per day, (2) certain of its growth assumptions, and (3) retention of its propane peaking capacity, leading to Staff's initial conclusion that the Precedent Agreement may contain excess capacity to the detriment of ratepayers. Staff recommended that the Commission deny approval of the Precedent Agreement or, in the alternative, require EnergyNorth to file additional data, and exclude recovery through rates of EnergyNorth's propane peaking costs.

Staff's position has changed. Staff is now a party to the Settlement and its position on the Settlement is set forth in detail later in this Order.

#### **B. OCA**

The OCA asks the Commission to reject the Precedent Agreement, arguing it is not in the public interest, it fails to protect residential ratepayers from unreasonably high financial risks of

excess capacity, and it does not balance the needs of the customers with those of EnergyNorth's owner. OCA's position is set forth in greater detail below.

### **C. PLAN**

PLAN urges the Commission to deny EnergyNorth's petition. PLAN asserts that EnergyNorth did not reasonably investigate its long-term capacity requirements or the reasonable alternatives available to meet that demand. PLAN contends that the proposal is speculative, not least cost, and not supported. PLAN's position is set forth in greater detail below.

## **IV. SETTLEMENT BETWEEN ENERGYNORTH AND STAFF**

The Settlement requires a second amendment to the Precedent Agreement and imposes other regulatory requirements on EnergyNorth. EnergyNorth and Staff ask the Commission to approve the Settlement as filed, arguing that it resolves all of the outstanding issues in this proceeding, produces a just and reasonable result, and is consistent with the public interest.

EnergyNorth's and Staff's witnesses ("Settlement Panel") explained the terms of the Settlement and the ways in which the Settlement shifts risk from customers to EnergyNorth's owner. The Settlement Panel also described the Settlement's benefits to customers and how the Settlement addressed the concerns raised by other parties and Staff.

### **A. Excess Capacity**

The Settlement initially sets the contracted amount of capacity under the Precedent Agreement at 115,000 Dth per day. Generally, the capacity-reduction requirement in the Settlement requires growth in design day capacity related to certain Commercial and Industrial (C&I) customers: iNATGAS, a new compressed natural gas distributor; capacity-exempt transportation customers switching to capacity-assigned service; and Concord Steam customers converting to natural gas. If growth in design day demand for those customers does not meet or

exceed 10,000 Dth during the period of July 1, 2015, through April 1, 2017, EnergyNorth will reduce the amount of capacity under the Precedent Agreement from 115,000 Dth per day to 100,000 Dth per day. To effectuate this provision of the Settlement, EnergyNorth agreed to file a further amended Precedent Agreement and to report increases in design day capacity for the C&I customers identified above in Cost of Gas (“COG”) filings.

As a baseline for EnergyNorth’s projected capacity needs, the Settlement Panel discussed EnergyNorth’s 2013 IRP, approved by the Commission in DG 13-313. In the 2013 IRP, EnergyNorth used a “resource mix optimization” model and projected a need for 90,000 Dth per day of long-term pipeline capacity, on the precursor pipeline project. The 90,000 Dth per day planned to be provided using the precursor project capacity assumed replacement of the same 50,000 Dth per day that will be replaced by some of the capacity contracted for in the Precedent Agreement. The remaining 40,000 Dth per day represented replacement of propane capacity and growth. Tr. Day 1, p 127-129.

Since then, EnergyNorth experienced significant growth and reverse migration of large capacity-exempt customers. In this docket, EnergyNorth provided updated data on capacity-exempt reverse migration in rebuttal testimony. The demand resulting from the additional reverse migration offset a portion of the capacity that Staff originally considered excess.

The required 10,000 Dth per day increase in design-day demand is more than EnergyNorth’s forecasted demand from iNATGAS, reverse-migrating capacity-exempt customers, and Concord Steam customers, through April 2017. In that respect, the capacity-reduction requirement in the Settlement calls for EnergyNorth to exceed its projections of demand needed to serve these customers. Such an increase in design-day demand, if realized, will reduce excess capacity. The panel explained that TGP has agreed to amend the Precedent

Agreement to permit EnergyNorth to comply with the capacity-reduction requirement. According to the Settlement Panel, the capacity reduction requirement protects customers by reducing the likelihood that customers would pay for excess capacity. The Settlement Panel discussed EnergyNorth's obligation to mitigate excess capacity costs. Historic and projected mitigation data provided by EnergyNorth show that it successfully mitigates unused capacity costs through asset management arrangements, capacity release through the spot market, and off-system sales directly to third parties. All of those strategies seek to maximize cost recovery to offset fixed capacity costs. EnergyNorth estimated recovery of close to 100 percent of the maximum negotiated rate for the capacity contracted for in the Precedent Agreement during the winter period and a lesser percent during the summer. All of the mitigation revenue recovered will be credited to customers in gas rates.

#### **B. Growth Incentive**

The Settlement includes a growth incentive to offset the potential impact of excess capacity on current customers. EnergyNorth must meet one of two annual growth targets, either a Customer Target or a Sales Target. The Customer Target requires an addition of 2,000 customers a year, while the Sales Target requires a 650,000 Dth increase in annual sales. If EnergyNorth fails to meet both targets, it will be required to forgo recovery of up to \$300,000 in winter gas costs. The amount of cost recovery depends on how closely EnergyNorth comes to achieving either of the two targets. The recovery amount is deducted from EnergyNorth's winter gas costs collected from ratepayers. Any deduction reduces shareholder return and benefits customers. The growth rates will be determined beginning with calendar year 2017.

The growth incentive applies so long as certain of EnergyNorth's propane plants remain in service or until the average growth rate exceeds a specified amount over a consecutive three-

year period. With respect to propane plants, by the time the growth incentive applies beginning in 2017, EnergyNorth will have begun an analysis for its next IRP of any remaining propane plants' revenue requirement, as discussed below. The growth incentive will cease to apply if EnergyNorth retires all non-pressure-support propane facilities.<sup>5</sup> To the extent that fewer than all of those plants are retired, the Settlement provides for proportionate reductions to the financial penalties.

With respect to customer growth, the growth incentive will cease to apply if EnergyNorth adds 7,200 customers or increases sales by 2,340,000 Dth over a three-year period. EnergyNorth will report information related to the growth incentive mechanism in its summer COG filings.

The growth targets in the Settlement Agreement are consistent with EnergyNorth's internal growth targets, Clark Prefiled Testimony (June 4, 2015) p. 12 ln. 2-7, and are two to three times higher than the growth included in EnergyNorth's projections in its filing of 600 to 800 customers per year. EnergyNorth Brief page 8 (citing Tr. Day 2 p. 166 ln. 9-13). The incentive growth target also exceeds EnergyNorth's forecasted demand from C&I customers made in support of the Precedent Agreement. In addition, both growth targets are higher than EnergyNorth's highest growth year levels, by 65 percent for customer growth and by 15 to 20 percent for demand growth. Like the capacity-reduction requirement, the growth targets incent EnergyNorth to put its capacity to use and reduce excess capacity sooner than originally projected.

The Settlement Panel discussed EnergyNorth's recent growth successes and potential. For instance, an expansion project under construction in Bedford will bring natural gas service to 11 new commercial customers and has the potential of reaching more than 40 new residential

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<sup>5</sup>Propane plants in Nashua, Manchester, and Tilton, and propane storage in Amherst, to the extent the storage is not used to serve Keene, or used for pressure support.

customers. Tr. Day 1 p. 74 ln. 4 through p. 75 ln. 18. EnergyNorth attributed its increased growth to the addition of local sales personnel and recent changes to its line-extension tariff; an indication of its commitment to growth. EnergyNorth's growth focus includes projects within EnergyNorth's existing franchise territory and outside of it, and customers along and "off" the existing distribution system.

Potential areas of growth should Liberty have access to more capacity if the Precedent Agreement is approved include Keene, Bedford, Laconia, and the eleven communities along the route of the NED Pipeline. EnergyNorth estimated that the demand in Keene and along the NED Pipeline in New Hampshire could increase demand by up to 2.3 million Dth per year, depending on saturation rates. Other growth could occur in conjunction with reliability and redundancy investments such as a lateral off the new West Nashua city gate, running north to connect to the distribution system in Manchester. EnergyNorth referred to the new lateral as a "parallel backbone" for its system. EnergyNorth's projections in this proceeding did not include any growth in those potential areas. Consequently, if this and other growth occurs, any excess capacity resulting from approval of the Precedent Agreement may be reduced much sooner than originally projected by EnergyNorth and the costs of this new capacity will be shared among a greater number of customers.

### **C. Additional Settlement Requirements**

The Settlement requires EnergyNorth to provide certain data and analysis in its next IRP filing. Specifically, the Settlement requires a cost/benefit analysis of a lateral to serve the Keene Division off of the NED Pipeline; a forecast of load on a customer-class basis; an analysis of the impact of energy efficiency in the demand forecast; and an analysis of the potential retirement,

and the revenue requirements, of each of its propane facilities. EnergyNorth's next IRP is due in February 2017.

The Settlement Panel reviewed the Settlement's IRP requirements. EnergyNorth will use the additional IRP data to analyze the cost-effectiveness of all of its capacity resources including specifically the propane peaking facilities. The capacity analysis will include the capacity contracted for in the Precedent Agreement if the Commission approves the Settlement. At that point in time, however, the costs of such capacity will not be included in EnergyNorth's rates. By February 2017, EnergyNorth will also have additional market and growth experience and data to consider in its analysis. Ultimately, if any of EnergyNorth's existing capacity is not cost-effective, EnergyNorth will plan to reduce that capacity, and the associated cost.

Pre-existing capacity includes the Company's propane plants that are more than 40 years old and are at or beyond their useful accounting life. EnergyNorth acknowledged that they are not long-term viable supply alternatives and retiring the propane capacity will offset capacity costs contracted for in the Precedent Agreement. EnergyNorth estimated that propane plant retirements, along with the increased demand and growth required by the Settlement, will eliminate excess capacity in less than 10 years.

#### **D. Benefits of the Precedent Agreement as Amended by the Settlement**

The Settlement Panel discussed the benefit of switching the receipt point for the Dracut 50,000 Dth/day to Wright. While the rate for Dracut capacity is less than the capacity rate from Wright, the Dracut supply market has experienced significant gas price and capacity instability in recent years, and EnergyNorth's gas rates from Dracut have included premiums due to demand exceeding supply. Forces contributing to the Dracut market instability have included reduced production of and high global demand for LNG, as well as high demand for capacity within New



England. In recent years, Dracut gas supply has been the highest-priced gas in the United States. Avoiding the continued exposure to Dracut's price volatility and the insecurity associated with Dracut supply are goals of the Precedent Agreement and the Settlement.

The Settlement Panel referred to Wright as a developing supply market. The Constitution, Dominion, and NED Supply Path<sup>6</sup> pipeline projects are proposed to bring supply in the next few years from the Marcellus natural gas production area to Wright. Marcellus supply is abundant and the lowest priced gas in the United States. Consequently, EnergyNorth expects the Wright supply market to be sufficiently liquid by the time the NED Pipeline comes online. EnergyNorth also expects the total cost for supply and capacity at Wright to be lower than the total cost of the existing supply and capacity from Dracut. EnergyNorth estimated capacity costs from Marcellus to Wright based on the Constitution project, which has been approved by the FERC.

To protect customers from the consequences of insufficient supply at Wright, the Precedent Agreement is not effective unless a certain volume of supply is available when the NED Pipeline project goes into service. The initial capacity projected for the Constitution pipeline could satisfy that liquidity need. In addition, EnergyNorth may entertain the purchase of supply transported to Wright on the Constitution pipeline. Contracting for long-term capacity on the NED Supply Path is another possible way to get supply from Marcellus to Wright, and into the Precedent Agreement's proposed NED Pipeline capacity. EnergyNorth expects the NED Supply Path to bring approximately the equivalent of a million Dths a day of supply to Wright.

EnergyNorth, as part of the LDC Consortium, is negotiating with TGP for long-term capacity on the NED Supply Path. EnergyNorth states that the Supply Path capacity would

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<sup>6</sup> See earlier footnote 4 for a description of the NED Supply Path project.

secure lowest-cost supply at Marcellus and would provide opportunities for EnergyNorth to optimize its use of storage capacity in that market area to the benefit of customers. Direct access to Marcellus supply would give EnergyNorth the ability to purchase lower-priced gas and the ability to forecast prices more accurately, due to reduced volatility of prices. Also, as an anchor shipper on the NED Supply Path, EnergyNorth and its customers would enjoy other benefits similar to those in the Precedent Agreement.<sup>7</sup>

The Settlement Panel discussed the value to customers of the new West Nashua delivery point in terms of reliability. EnergyNorth expects the new delivery point to add redundancy and improve distribution system reliability as well as to aid in growth. A new lateral from West Nashua would relieve EnergyNorth's sole reliance on the Concord Lateral, and opportunities for growth along the route may exist. The Settlement Panel discussed the value to customers of the high pressure flow capacity contracted for in the Precedent Agreement. EnergyNorth will be able to deliver higher pressure gas to customers, also supporting system expansion and customer growth. In addition, the higher pressure capacity may reduce the need for the propane plants' peaking services.

## **V. POSITIONS OF NON-SETTLING PARTIES**

### **A. OCA**

The OCA argues the Settlement Agreement is not in the public interest and should not be approved. The OCA agrees that EnergyNorth needs some incremental, long-term pipeline capacity, but disagrees with the amount of capacity secured by the Precedent Agreement. The OCA contends that EnergyNorth should have evaluated retaining its existing Dracut 50,000 Dth

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<sup>7</sup> EnergyNorth expects to seek Commission approval of another precedent agreement with TGP, for NED Supply Path capacity soon.

per day instead of replacing it entirely with new capacity and recommends that the Commission hold its decision on the Precedent Agreement until EnergyNorth provides additional analysis of customer demand and the alternatives available to meet it. The essence of the OCA's position is that EnergyNorth did not estimate demand appropriately and assumed unreasonably high growth for iNATGAS sales, capacity-exempt returning customers, and new franchise territories.

The OCA believes that instead of 24 years, EnergyNorth should have used a five- to ten-year planning horizon. The OCA claims that planning beyond ten years results in excess capacity procurements by EnergyNorth. The OCA suggests that a range of 75,000 to 90,000 Dth per day of capacity would be more appropriate, assuming EnergyNorth retains its propane capacity.

The OCA's witness, Dr. Chattopadhyay, acknowledged that the 2013 IRP analysis, which EnergyNorth used as a starting point for its Precedent Agreement analysis, employed a resource mix optimization methodology and included 90,000 Dth per day of pipeline capacity. On cross-examination, Dr. Chattopadhyay agreed that, assuming retirement of EnergyNorth's propane capacity and using EnergyNorth's projected numbers for the demand associated with iNATGAS and reverse-migrating capacity exempt customers, the capacity amount needed for 10 years is above 100,000 to 115,000 Dth per day. Transcript Day 3 page 64 line 22 to page 65 line 13; page 66 lines 3 to 16; and page 66 line 19 to page 67 line 1.

The OCA argues EnergyNorth's analysis overstated the price of supply at Dracut and used overly-optimistic projections for excess capacity mitigation. That is a problem, according to the OCA, because the Settlement does not require EnergyNorth to realize any particular level of capacity mitigation revenue and, in that way, leaves customers at risk for excess capacity costs.

The OCA agrees that, apart from the amount of capacity, the NED Pipeline has benefits for EnergyNorth and its customers, including the flexibility to retire the propane plants if doing so is cost effective, and the increased reliability from a second delivery point on EnergyNorth's system. The OCA also views the growth incentive in the Settlement as helpful, but argues that the related financial penalty is not meaningful. APUC is a \$4.5 billion company with diversified assets all over North America; a loss of \$300,000, the maximum possible penalty if the growth incentives are not met, will have no noticeable impact on shareholder revenues.

## **B. PLAN**

PLAN argues that the Settlement does not resolve the deficiencies in the Precedent Agreement. PLAN also challenges EnergyNorth's ability to mitigate excess capacity costs, meet the Settlement's growth requirements, and realize the value of the new West Nashua interconnect.

Like the OCA, PLAN agrees that EnergyNorth needs some amount of incremental capacity, but disagrees with the amount of capacity secured by the Precedent Agreement. PLAN contends that the additional 65,000 Dth per day of new capacity results in significant excess capacity and that EnergyNorth should have undertaken additional analyses of the different projects, using lower amounts of new capacity, such as an additional 25,000 to 30,000 Dth per day.

Also similar to the OCA, PLAN contends that procuring capacity using a 10-year planning horizon is more appropriate than the longer periods used by EnergyNorth, because PLAN is confident that there will be opportunities to contract for additional capacity after ten years. PLAN also suggests that additional capacity could become available on the NED Pipeline if compression is added in the future.

PLAN is very critical of EnergyNorth's decision to replace 50,000 Dth per day of existing Dracut capacity, arguing that it will increase ratepayers' costs. PLAN contends that EnergyNorth based its decision to replace the existing Dracut capacity on exaggerated concerns and incorrect assumptions with respect to the availability and price of gas at Dracut. PLAN acknowledges that there has been a great deal of price volatility in New England during the last several winters, but disagrees with EnergyNorth that Dracut is illiquid or at risk of lacking sufficient supply and suppliers. According to PLAN, new pipeline capacity into New England from the west will produce competitive pricing and opportunities to arbitrage the Wright and Dracut markets during the winter. In addition, PLAN asserts that LNG supply will also continue to be reliably available at Dracut. PLAN contends that the additional capacity at Dracut will keep prices from rising as high as EnergyNorth has assumed in its analysis.

Regarding alternatives, PLAN asserts that EnergyNorth should have evaluated capacity options other than the C2C and Atlantic Bridge projects. PLAN suggests specifically that EnergyNorth should have evaluated expansion of its LNG facilities as an alternative to meet its long-term capacity needs.

On the analyses of alternatives performed by EnergyNorth, PLAN questions the Concord Lateral estimates and volumes used by EnergyNorth to compare the C2C and Atlantic Bridge projects to the NED Pipeline project. PLAN also questions the "breakeven" price that EnergyNorth assumed for supply purchases at Wright, arguing that the Consortium's price projections for Wright do not reflect the possibility of limits on pipeline capacity between Marcellus and Wright and any associated price increases.

PLAN contends specifically that the Waddington point on the Iroquois pipeline, which is north of Wright, is a liquid market and a reasonable proxy for prices at Wright. According to

PLAN, during the months of January and February, the daily Waddington supply price exceeded EnergyNorth's breakeven price before including the costs for transportation from Waddington to Wright.

Although it is PLAN's position that the several hundred thousand Dth per day of additional capacity planned for Dracut will keep prices down, PLAN acknowledges that there is approximately 650,000 to 1.6 million Dth per day of new capacity planned for Wright. PLAN concedes that if concerns about the dwindling supply of off-shore production come to fruition, the prices at Dracut will increase unless and until additional pipeline capacity is developed.

PLAN criticizes EnergyNorth for not including in its estimate of the NED Pipeline costs, any of the impact of the project on communities along its route. PLAN contends that EnergyNorth should have analyzed the environmental impacts of the NED Pipeline and the associated costs and risks of those impacts, because environmental cost overruns will raise the Precedent Agreement's rate.

PLAN contends that EnergyNorth's ultimate parent, APUC, influenced EnergyNorth's decisions to enter into, and agree to the terms of, the Precedent Agreement. PLAN notes that the same individuals serve as members of the Boards of Directors and Officers for both entities, as well as Liberty Pipeline. PLAN also notes that the same individuals who decided to invest in the NED Pipeline authorized EnergyNorth to enter into the Precedent Agreement. In PLAN's view, essentially one board made both decisions, and those decisions resulted in EnergyNorth's oversubscription of capacity, for the benefit of APUC.

PLAN argues the terms of the Settlement are ambiguous. PLAN notes that the demand thresholds associated with the reduction of capacity from 115,000 to 100,000 Dth per day do not specify in which year they apply. PLAN also observes that the iNATGAS threshold refers to

design day capacity for firm sales, and that EnergyNorth's contract only requires iNATGAS to be a firm sales customer for one year. By the time EnergyNorth needs to calculate its demand, iNATGAS could be a transportation customer.

Regarding its own motivations, PLAN acknowledges that none of its officers or directors is a customer of EnergyNorth, and that its members oppose construction of the NED Pipeline. PLAN, however, denies that its opposition to the NED Pipeline factored into its economic analysis of the Precedent Agreement and the Settlement.

## **VI. PUBLIC COMMENTS**

Before the hearing, the Commission received many written comments from the public, with the overwhelming majority advocating against the approval, construction, and siting of the NED Pipeline. Many if not all of the opposing comments were tendered by residents or representatives of the communities along the route of the NED Pipeline. Many of the opposing comments cited Staff's prefiled testimony as a basis for rejecting the Precedent Agreement and the Settlement. Some of the comments questioned the Precedent Agreement on the basis that EnergyNorth's affiliate has invested in the NED Pipeline.

Two large C&I customers of the Company filed written comments supporting the Commission's approval of the Precedent Agreement. BAE Systems and Velcro USA, Inc., are among the largest employers and energy users in the state and have recently experienced volatile and high prices when using EnergyNorth's existing capacity resources. Adding the proposed capacity to the company's portfolio is expected to alleviate price volatility. Capacity-exempt customers migrating back to firm sales service are also looking for price stability and supply security. The inquiries of Concord Steam customers also indicate that they are seeking price stability and lower cost.

The Commission opened the hearing by receiving additional comments from the public. Those comments were consistent with the focus, content, and tenor of the written comments. Comments at hearing were primarily directed at the advisability of the NED Pipeline and not the terms of the Precedent Agreement or the interests of EnergyNorth's customers.

After the hearing, the Commission continued to receive written comments opposing approval of the Precedent Agreement for reasons related to the impact of the NED Pipeline on the communities and citizens along the proposed pipeline route. Some of the post-hearing comments requested that the Commission reopen the hearing to receive additional evidence on the impact of the NED Pipeline on individuals who are not EnergyNorth's customers, or on interests that are not EnergyNorth customer interests.

## **VII. COMMISSION ANALYSIS**

### **A. Scope and Standard of Review**

Our statutory review of the Precedent Agreement is limited to consideration of EnergyNorth's prudence in entering into the Precedent Agreement, and the reasonableness of the terms of the agreement. We do not undertake any review of the merits or the siting of the NED Pipeline. The Precedent Agreement is not effective unless the NED Pipeline is approved, constructed, and providing service.

At this time, the NED Pipeline is still under review by the FERC. The important issues raised in the public comments, including the impact of the NED Pipeline on the communities through which the pipeline will run, are solely within the province of FERC.<sup>8</sup> Consequently, we do not consider those siting issues in our review of the Precedent Agreement.

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<sup>8</sup> The siting of the NED Pipeline may also come before the New Hampshire Site Evaluation Committee under RSA ch. 162-H.



We must consider whether the Precedent Agreement is prudent and reasonable.

RSA 374:1 and 374:2 (public utilities shall provide reasonably safe and adequate service at “just and reasonable” rates), and 378:7 (rates collected by a public utility for services rendered or to be rendered must be just and reasonable). Because EnergyNorth and Staff reached a Settlement that varies the terms of the Precedent Agreement, we must review both agreements in this docket.

Our review of the Settlement concerns whether the Settlement is just and reasonable and serves the public interest. 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”). We construe the public interest within the context of our overall authority including, in this case, the interests of EnergyNorth’s existing and future customers.

For the reasons set forth below, we find that the Precedent Agreement as modified by the Settlement satisfies these standards, and we therefore approve the Settlement. Typically, we determine prudence and reasonableness within the context of a full rate proceeding, after EnergyNorth has incurred the costs. Due to the magnitude of the costs and the long-term commitment associated with the Precedent Agreement, EnergyNorth requested preapproval of prudence and reasonableness. We last pre-approved a long-term capacity contract for EnergyNorth in DG 07-101. *EnergyNorth Natural Gas, Inc. d/b/a Keyspan Energy Delivery*, Order No. 24,825 (February 29, 2008).

### **B. Capacity Requirements**

In the Settlement, Staff secured commitments from EnergyNorth to reduce excess capacity arising from the Precedent Agreement and to expand service to unserved or underserved areas of New Hampshire. Pipeline capacity is not always available in increments that match

precisely with an LDC's load growth. Consequently, it is prudent and reasonable for an LDC, when entering into a capacity agreement, to acquire the capacity necessary to serve not only current load but also potential future load.

The amount of capacity provided by the Precedent Agreement, as modified by the Settlement, is consistent with EnergyNorth's last approved IRP. EnergyNorth used appropriate methodology in the 2013 IRP to project 90,000 Dth of pipeline capacity, and EnergyNorth's analysis supporting the Precedent Agreement built upon the IRP result to reflect growth in demand since the IRP. EnergyNorth appropriately included as post-IRP demand growth the demand associated with large capacity-exempt customers who have migrated from transportation-only service to sales service. No party disputed EnergyNorth's obligation to procure capacity for those customers, or the possibility that EnergyNorth's remaining capacity-exempt load could also migrate back to firm sales. Accelerated reverse migration has occurred for several years now and is likely to continue based on volatile natural gas pricing arising from constrained pipeline capacity in New England. Exhibit 8, bates 26, lines 2-6, and fn. 33.

PLAN criticized EnergyNorth for including capacity for iNATGAS in its projections because iNATGAS is only obligated to take firm sales service for one year. According to PLAN, iNATGAS could be a transportation customer by the time the capacity contracted for in the Precedent Agreement is available to EnergyNorth. PLAN's argument, however, fails to recognize that EnergyNorth is obligated to continue to supply capacity to iNATGAS if it becomes a transportation customer. The amount of such capacity would be based on iNATGAS's design day for the twelve months preceding its departure from firm sales service.

EnergyNorth's revised analysis in rebuttal shows that excess capacity will likely be depleted within the 10-year planning horizon advocated by PLAN and the OCA. EnergyNorth's

analysis was conservative in that it did not include possible growth along the NED Pipeline route in New Hampshire or in Keene. The demand associated with that possible growth was not necessary to support the capacity commitment, but, together with other projected demand growth, could well exceed the total capacity procured by the Precedent Agreement. Although EnergyNorth did not propose immediate retirement of most of its propane capacity outside of Keene, the Settlement and EnergyNorth's testimony reflect that this is a potential outcome of the next IRP. Retirement of the propane plants would require up to 34,600 Dth per day of additional capacity. This amount of capacity was included in the 90,000 Dth per day forecasted by the 2013 IRP. The Settlement addresses the possibility of excess capacity if EnergyNorth does not meet growth requirements, which if not satisfied will require a reduction in capacity purchased under the Precedent Agreement or a financial penalty to benefit customers.

### **C. Dracut vs. Wright**

The capacity cost associated with replacing the existing 50,000 Dth per day at Dracut is outweighed by the benefits associated with the capacity contracted for in the Precedent Agreement. Of the three firm capacity options analyzed, only the NED project avoids supply purchases at Dracut, which has proven to be one of the highest priced purchase points in the country over the past few years due to a lack of supply. Only the capacity contracted for in the Precedent Agreement increases the reliability of EnergyNorth's distribution system by adding increased guaranteed delivery pressure at existing delivery points and at a new point of delivery in West Nashua. Reliability benefits of the capacity contracted for in the Precedent Agreement also include new nomination flexibility<sup>9</sup> for EnergyNorth's existing capacity contracts with TGP

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<sup>9</sup> *Nomination* is a term used in the natural gas pipeline industry where a pipeline capacity holder (shipper) initiates a scheduling transaction with the pipeline operator to deliver gas supply from point A to Point B. In this example, on most days throughout the year, EnergyNorth will have the *flexibility* to be able to *nominate* what is expected to be its

and the opportunity to develop, off of the West Nashua delivery point, an alternative lateral to the Concord Lateral to deliver gas to its distribution system.

The capacity contracted for in the Precedent Agreement, compared with the alternative projects, avoids immediate and costly upgrades to the Concord Lateral. The NED Pipeline will provide opportunities for significant economic expansion of EnergyNorth's distribution system and service both in and outside EnergyNorth's existing franchise territory.

We appreciate the Wright market's uncertainty, but we are reassured by the Precedent Agreement's requirement that a certain level of liquidity must exist at Wright before EnergyNorth's customers are required to purchase the capacity contracted for in the Precedent Agreement. We also find promising the development of multiple pipeline projects to bring Marcellus gas to Wright; the new capacity back to Marcellus would provide EnergyNorth with direct access to the lowest-priced gas supply in the United States in place of access to the highest priced gas in the United States, at Dracut.

EnergyNorth appropriately considered alternatives to the capacity it contracted for in the Precedent Agreement, based on price and non-price factors. The projected capacity costs associated with the C2C and Atlantic Bridge projects exceed the Precedent Agreement's capacity costs, without needed upgrades to the Concord Lateral, and the capacity contracted for in the Precedent Agreement will provide greater benefits. Although the NED Pipeline is in the development stage and has yet to be approved by FERC, neither of the alternative projects is any further along in that process.

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least cost (Marcellus gas supply) alternative from Wright, NY, using its contracted NED pipeline capacity, effectively displacing higher average cost underground storage gas from its inventory or other purchased supply alternatives sourced at higher price points.

#### **D. Use of LNG**

We disagree with PLAN that EnergyNorth should have considered expansion of its LNG capacity to meet projected growth. The LNG global market is unstable and may compromise the reliability of EnergyNorth's service to customers at the least cost, particularly on a design day or during a design-season.<sup>10</sup> In addition, expansion of EnergyNorth's existing LNG facilities is not possible due to setback requirements in federal law.

#### **E. Demand and Customer Growth Requirements**

The Settlement's requirements for demand and customer growth further incent EnergyNorth to reduce excess capacity following the project's in-service date. The Settlement requires a reduction to cost recovery by EnergyNorth if certain levels of growth are not achieved. While the maximum disallowance of \$300,000 is small in comparison to annual gas costs, earnings are determined on delivery costs and revenues, and the potential disallowance could have a significant impact on EnergyNorth's earnings: \$300,000 represents 5.6 percent of EnergyNorth's 2014 net income.<sup>11</sup> Hence, the Company's commitment to an earnings reduction is a serious and, as testified by the experts, unusual undertaking for a Precedent Agreement. The cost recovery reduction only applies while the "Company's propane facilities that are not used for pressure support remain in service (excluding facilities serving the Keene Division)."<sup>12</sup>

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<sup>10</sup> Utility resource portfolios maintain sufficient supply deliverability to meet customer requirements on the coldest planning day (design day) and maintains sufficient supplies under contract and in storage to meet customer requirements over the coldest planning season (design season).

<sup>11</sup> Net Income of \$5,361,232, per Liberty Annual Report to the NHPUC for year ended December 31, 2014, p. 12, line 76.

<sup>12</sup> For clarity, the referenced propane facilities are EnergyNorth's plants in Nashua, Manchester, and Tilton, and propane storage in Amherst, to the extent the storage is not used to serve Keene, or any other propane plants used for pressure support. The percentage reduction will be determined by dividing the rate base of the retired propane facilities, excluding Keene and the portion of the Amherst storage facility used to serve Keene or propane plants necessary for pressure support, by the total rate base of the three propane plants and adjusted rate base of the Amherst facility.

Settlement at 5. Potential retirement of the propane plants further justifies the contracted capacity is reasonable over a 10-year planning horizon.

EnergyNorth continues to be obligated in the regular course of business to mitigate excess capacity through asset management arrangements, capacity release through the spot market, and off-system sales directly to third parties. EnergyNorth's satisfaction of those requirements will further reduce customers' exposure to excess capacity costs and align EnergyNorth's demand and supply requirements within the 10-year period for which PLAN and the OCA advocated. Increased growth will also reduce the per-customer cost of the capacity contracted for in the Precedent Agreement, along with all other fixed costs, and will result in lower overall rates.

#### **F. EnergyNorth Affiliate Relationships**

We do not take a position on whether EnergyNorth's relationship with affiliates biased EnergyNorth to act contrary to the best interests of customers by oversubscribing to capacity contracted for in the Precedent Agreement or whether PLAN's opposition to the Precedent Agreement is motivated by its opposition to the NED Pipeline. Our decision is based on facts in the record that demonstrate that the Precedent Agreement and Settlement satisfy the standard of review as set forth above.

#### **G. Environmental Cost Risks**

We also disagree with PLAN that the Precedent Agreement unreasonably or imprudently exposes EnergyNorth to environmental cost over-runs associated with the NED Pipeline. Although the Precedent Agreement contains terms related to environmental cost overruns and

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underruns, we are satisfied that it protects customers from cost over-runs with a rate cap. TGP may not charge EnergyNorth more than that maximum rate.

### **VIII. CONCLUSION**

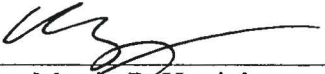
In conclusion, we find that EnergyNorth's proposed acquisition of the capacity contracted for in the Precedent Agreement is prudent and reasonable. EnergyNorth has established that, based on both price and non-price factors, the contracted capacity represents the most viable, reasonably available alternative for EnergyNorth to meet its current and forecasted customer requirements in a least-cost, and reliable manner. We note that the decision of whether to approve the proposed arrangement between EnergyNorth and TGP is an important one involving a long-term commitment of substantial ratepayer dollars. Therefore, we believe it is reasonable to review the prudence of the Company's proposal in advance of the final decision to enter into the proposed arrangement. Our finding that the contracted capacity is prudent, however, assumes that EnergyNorth manages its business and operates in a manner consistent with good utility practice and its plans outlined in this filing.

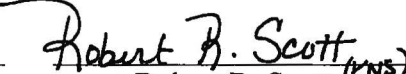
We also find that the Settlement is just and reasonable, and consistent with the public interest of its existing and future customers. The Settlement secures commitments for growth, which will benefit existing customers as well as potential customers. The Precedent Agreement, as modified by the Settlement, will enable EnergyNorth to meet existing and future demand in a safe and reliable manner at a just and reasonable cost. For all of the foregoing reasons, we approve the Settlement and the Precedent Agreement as modified by the Settlement.

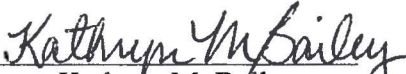
**Based upon the foregoing, it is hereby**

**ORDERED**, the Settlement and the Precedent Agreement as modified by the Settlement are approved.

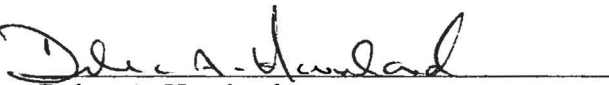
By order of the Public Utilities Commission of New Hampshire this second day of  
October 2015.

  
\_\_\_\_\_  
Martin P. Honigberg  
Chairman

  
\_\_\_\_\_  
Robert R. Scott (KNS)  
Commissioner

  
\_\_\_\_\_  
Kathryn M. Bailey  
Commissioner

Attested by:

  
\_\_\_\_\_  
Debra A. Howland  
Executive Director