



STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

LIBERTY UTILITIES (ENERGYNORTH NATURAL GAS) CORP.

**Petition for Expansion of Franchise to the
Town of Hanover and City of Lebanon, New Hampshire**

Docket No. DG 16-852

SETTLEMENT AGREEMENT

This Settlement Agreement (“Settlement Agreement”) is entered into as of the 1st day of September, 2017, by and among Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities (“EnergyNorth”), the Office of Consumer Advocate (OCA), and the Staff (“Staff”) of the New Hampshire Public Utilities Commission (“Commission”) (collectively, the “Settling Parties”). This Settlement Agreement resolves all issues regarding EnergyNorth’s request for the franchise to provide retail natural gas service in the Town of Hanover and the City of Lebanon that is the subject of this docket.

I. INTRODUCTION

On November 28, 2016, EnergyNorth filed the petition in this docket, with supporting testimony and schedules, seeking authority under RSA 374:22 and RSA 374:26 to provide gas service in the Town of Hanover and City of Lebanon. The OCA notified the Commission of its intent to participate pursuant to RSA 363:28, and the Commission granted the intervention requests of the City of Lebanon, the Town of Hanover, Ariel Arwen, Jonathan Chaffee, Devin Wilkie, and Samantha White. After discovery, Staff, the OCA, the Town of Hanover, and Mr. Chaffee filed testimony.

After review of the petition and supporting evidence, testimony, technical sessions, and settlement discussions, the Settling Parties agreed to the terms of this Settlement Agreement. The Settling Parties recommend that the Commission approve this Settlement Agreement without condition or modification.

II. TERMS OF AGREEMENT

A. Franchise Rights

The Settling Parties recommend that the Commission grant EnergyNorth the franchise rights to serve the Town of Hanover and the City of Lebanon subject to the following conditions.

B. Distribution and Cost of Gas Rates to be Charged to Customers

EnergyNorth shall provide service under EnergyNorth's standard distribution rates and under a cost of gas rate calculated specifically for the combined Hanover/Lebanon franchise area.

C. Customer Commitment

EnergyNorth shall not commence construction of Phase One or Phase Two, defined below, until it has sufficient customer commitments such that the present value over a ten year period of the distribution revenue from such commitments is equal to at least 50 percent of the present value over a ten year period of the revenue requirement of the facilities necessary to serve customers in each phase, respectively.¹ For all other construction in Hanover or Lebanon,

¹ "Revenue requirement" includes return on investment, and the following expense associated with the capital investment: depreciation, property tax, insurance, and operation & maintenance. Direct cost should be understood to include capital investment associated with the project, but to exclude company overhead.

EnergyNorth shall follow the terms of the line extension policy in its tariff regarding the customer commitments for revenue prior to commencement of construction.

D. Risk Sharing – Phase One

“Phase One” is the initial construction of a single compressed natural gas (CNG) facility to serve the first group of customers. This facility shall be limited to 100,000 ADTH of firm service to customers.

EnergyNorth shall reduce its revenue requirement in rate cases filed within five years of the in-service date of Phase One as follows (*see* Appendix A for an illustration of how a reduction in the revenue requirement would be calculated):

In the first rate case following the in-service date of Phase One, the amount of reduction to the revenue requirement shall be one-half of the difference between the anticipated average annual revenue from Phase One customers over the three years following the date of implementation of permanent rates and the average annual revenue requirement over the same period of the Phase One construction costs, if such difference is negative. If a second rate case is filed within five years of the in-service date of Phase One, the amount of the reduction to the revenue deficiency shall be the full difference between the anticipated Phase One revenue requirement and projected revenues, calculated as described above.

1. “Costs of construction” includes actual direct capital costs to date.
2. “Anticipated revenue” includes Estimated Annual Margin as defined in EnergyNorth’s main extension provision in its tariff, plus the portion of the revenue obtained through the Cost of Gas rate charged to customers in Hanover and Lebanon that is attributable to recovery of the cost of the CNG plant.

3. The difference between the anticipated revenue and the revenue requirement of the cost of construction shall be calculated based on the average of the anticipated revenue produced from customers in the first three years following the date of implementation of permanent rates following the rate case and the average revenue requirement of the cost of construction for the same time period.
4. This risk sharing provision shall terminate five years after the in-service date of Phase One.

E. Risk Sharing – Phase Two

“Phase Two” is the initial construction of a liquefied natural gas (LNG) plant required to meet firm commitments of the customer base and compliance with the 7 Day Fuel Storage Requirement in the EnergyNorth tariff and Commission rules. The risk sharing mechanism outlined below for Phase Two shall commence on the in-service date of this LNG facility.

EnergyNorth shall reduce its revenue requirement in any future rate cases filed within five years of the in-service date of Phase Two as follows:

In the first rate case following the in-service date of Phase Two, the amount of reduction to the revenue requirement shall be one-half of the difference between the anticipated average annual revenue from Phase Two customers over the three years following the date of implementation of permanent rates and the average annual revenue requirement over the same period of the Phase Two construction costs, if such difference is negative. If a second rate case is filed within five years of the in-service date of Phase Two, the amount of the reduction to the revenue requirement shall be the full difference between the anticipated Phase Two revenue requirement and projected revenues, calculated as described above.

1. “Costs of construction” is as defined above.

2. “Anticipated revenue” is as defined above, plus the portion of the revenue obtained through the Cost of Gas rate charged to customers in Hanover and Lebanon that is attributable to recovery of the cost of the LNG plant.
3. The difference between the anticipated revenue and the revenue requirement of the cost of construction shall be calculated based on the average of the anticipated revenue produced from Phase Two customers in the first three years following the date of implementation of permanent rates and the average revenue requirement of the cost of construction for the same time period.
4. This risk sharing provision shall terminate five years after the in-service date of Phase Two.

III. CONDITIONS

This Settlement Agreement is expressly conditioned on the Commission’s acceptance of all its terms, without change or condition. If the Commission does not accept this Settlement Agreement in its entirety, without change or condition, or if the Commission makes any findings that go beyond the scope of this Settlement Agreement, and any of the Settling Parties notify the Commission within five business days of their disagreement with any such changes, conditions, or findings, the Settlement Agreement shall be deemed to be withdrawn, in which event it shall be deemed to be null and void and without effect, shall not constitute any part of the record in this proceeding, shall not be relied on by any party to this proceeding or by the Commission for any other purpose.

The Settling Parties agree that the Commission’s approval of this Settlement Agreement shall not constitute continuing approval of or precedent for any particular principle or issue, but

such acceptance does constitute a determination that the Settlement Agreement's provisions in their totality are just and reasonable and consistent with the public interest.

The discussions that produced this Settlement Agreement have been conducted on the understanding that all offers of settlement and settlement discussions relating to this docket are confidential, are not admissible as evidence in this proceeding, are without prejudice to the position of any party or participant representing any such offer or participating in any such discussion, and are not to be used in connection with any future proceeding or otherwise.

The Settling Parties agree that all direct testimony and supporting documentation should be admitted as full exhibits for purposes of consideration of this Settlement Agreement. This agreement to admit all direct testimony without challenge does not constitute agreement by the Settling Parties that the content of the written testimony filed by the parties is accurate or what weight, if any, should be given to the views of any witness. The identification of the resolution of any specific issue in this Agreement does not indicate any of the Settling Parties' agreement to such resolution for purposes of any future proceeding, nor does the reference to any other document bind the Settling Parties to the contents of, or recommendations in, such document for purposes of any future proceeding. Because they have entered into this Settlement Agreement, the Settling Parties agree to forego cross-examining EnergyNorth, OCA, and Staff, witnesses regarding their pre-filed testimony and, therefore, the admission into evidence of those witness's testimony or supporting documentation shall not be deemed in any respect to constitute an admission by any party to this Settlement Agreement that any allegation or contention in this

proceeding is true or false, except that the sworn testimony of any witness shall constitute an admission by such witness.

This Settlement Agreement may be executed by facsimile and in counterparts, each of which shall be deemed to be an original, and all of which, taken together, shall constitute one agreement binding on all parties hereto.

Dated: September 1, 2017

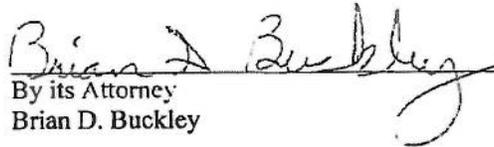
Liberty Utilities (EnergyNorth Natural Gas) Corp.
d/b/a Liberty Utilities



By its Attorney
Michael J. Sheehan

Dated: September 1, 2017

Office of Consumer Advocate



By its Attorney
Brian D. Buckley

Dated: September 1, 2017

Staff of the New Hampshire Public Utilities
Commission



By its Attorney
Alexander F. Speidel