

**THE STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION**

NORTHERN UTILITIES, INC.
SHOW CAUSE PROCEEDING
Docket No. DG 11-196

SETTLEMENT AGREEMENT

This Settlement Agreement (“Settlement Agreement”) is entered into this 23rd day of April, 2012, by and among Northern Utilities, Inc. (“Northern,” or “the Company”) and the Staff of the New Hampshire Public Utilities Commission (“Staff”) (collectively, the “Settling Parties”), and is intended to resolve all outstanding issues in the above-captioned docket.

1. Introduction

1.1. On August 15, 2008, a settlement agreement was signed and filed by Mark H. Collin, Senior Vice President, Chief Financial Officer and Treasurer, on behalf of Unitil Corporation; Stephen H. Bryant, President, on behalf of Northern Utilities, Meredith Hatfield, Consumer Advocate, on behalf of the Office of the Consumer Advocate (OCA), New Hampshire Legal Assistance on behalf of Mary Polcheis, and Edward Damon, Staff Counsel, on behalf of Staff in Docket No. DG 08-048 in resolution of issues raised in that proceeding.

1.2. The settlement agreement set forth certain emergency response time standards that were approved by the Commission in Docket No. DG 08-048 by Order No. 24,906 (Oct. 10, 2008) (Emergency Response Standards).

1.3. The Emergency Response Standards provide performance benchmarks against which the utility’s actual performance is measured. A total of nine benchmarks were established, covering 30, 45 and 60 minute response times, each broken out by “normal hours,” “after hours,” and “weekends and holidays.” Performance relative to the benchmark is expressed as a percentage representing how often the Company has met the benchmark.

1.4. In accordance with the terms of the settlement agreement, the Company worked with Staff to develop a monthly reporting format through which the Company would provide data to the Commission and report its performance under the Emergency Response Standards. The Company has filed monthly reports with Staff, as required by the settlement, since January 2010.

1.5. On April 22, 2011, Staff submitted a memorandum to the Commission summarizing the results of the monthly reporting and raising concerns regarding the Company’s performance under the standards, and proposing a number of alternatives for the Commission’s consideration. Staff’s analysis consisted of reports and graphs depicting the Company’s performance relative to the Emergency Response Standards, evaluated monthly.

1.6. On June 20, 2011, the Company filed a response to Staff's memorandum, stating, in part, that it acknowledged that it has been unable to meet the Emergency Response Standards in certain of the nine benchmarks during each month of the reporting periods in question. The Company disputes a number of the positions and conclusions reached by the Staff.

1.7. On September 8, 2011, the Commission issued Order No. 25,266, finding that a show cause proceeding is warranted to determine the appropriate remedies for Northern's failure to meet the Emergency Response Standards agreed to and approved in Docket No. DG 08-048. The Commission's order scheduled a pre-hearing conference to establish procedures and a schedule for a proceeding in which Northern will, inter alia, be required to show cause why the Company and its Officers should not be subject to civil penalties pursuant to RSA 365:41 and RSA 365:42 for non-compliance with Commission Order No. 24,906.

1.8. Direct testimonies were filed by the Company on December 16, 2011, and by the Staff on January 9, 2012. While the procedural order allowed for the Company to file rebuttal testimony, the Staff and the Company mutually sought and were granted a temporary suspension of the procedural schedule while they pursued negotiations to attempt to resolve the issues raised by this docket. This settlement agreement is a result of those efforts.

2. Modification of Emergency Response Standards

2.1. The Settling Parties agree, in the interest of resolving the outstanding issues in this docket, that the measurement of the Company's performance under the Emergency Response Standards agreed to in the Settlement Agreement in DG 08-048 shall be modified in order to more clearly define how response times are to be evaluated, in a manner consistent with public safety considerations and the characteristics of the Company's service area. Accordingly, the method by which Northern's Emergency Response Standard performance will be measured as part of an evaluation of safety performance shall be as follows:

2.2. Northern agrees to comply with the following Emergency Response Standards to respond to emergency calls made to Northern when the caller is reporting a gas leak or gas odor:

Emergency Response Standards		
Performance Measure	Response Time	Percent to Achieve
Normal hours	30 minutes	87%
All hours	30 minutes	80%
Normal hours	45 minutes	93%
After hours	45 minutes	88%
Weekends and Holidays	45 minutes	86%
Normal hours	60 minutes	98%
After hours	60 minutes	97%
Weekends and Holidays	60 minutes	96%

2.3. Effective Date: The Emergency Response Standards shall be effective upon approval of this Settlement Agreement by the Commission.

2.4. Response Time Measurement: For purposes of evaluating performance under the Emergency Response Standards, Northern's response time will include every call received by the Company from a caller reporting a gas leak or gas odor regardless of the outcome of what is determined on-scene once a responder arrives. The time of response will be measured as the total time elapsed from the time the call is received by Northern and a work order is created during that call, until the time when a qualified responder arrives at the scene, and will not include repair time.

2.5. Reporting: Performance under the Emergency Response Standards will be reported on a monthly basis and shall include the same format and detail as provided by the Company in its reports since January 2010, unless the Company and Staff mutually agree to a change in format or the Commission directs such a change. Northern's monthly reporting pursuant to this provision shall be deemed as satisfying the quarterly reporting requirements of Puc 504.07.

2.5.1. As part of its monthly reporting, the Company shall provide a detailed explanation, including any actions taken to prevent recurrence, for any individual response exceeding 60 minutes. Northern's reporting under this provision shall be deemed as satisfying the requirements of Puc 504.07(c).

2.5.2. In addition to the monthly reporting of response time data, Northern shall provide a detailed explanation of any failure to meet any Emergency Response Standard, and include a remediation plan to prevent recurrence, with supporting documentation and a proposal for implementation.

2.6. Monthly Evaluation: Each month, the Company's response performance shall be evaluated against the Emergency Response Standards using the preceding twelve (12) consecutive months of reported emergency response times.

2.7. Penalties: The Company shall be subject to an automatic penalty of \$8,000 per month for failing to meet any of the Emergency Response Standards in the preceding twelve consecutive month period, as defined in paragraph 2.6. Multiple failures to meet the Emergency Response Standards within any given month (for the preceding twelve consecutive month period) shall not be subject to multiple penalties and the Company's maximum monthly penalty exposure shall be \$8,000. The Company shall not be subject to a cumulative penalty of more than \$96,000 in any calendar year under this provision.

2.8. Effective Date of Evaluation and Penalties: The effective date of the Monthly Evaluation (paragraph 2.6, above) and the Penalties (paragraph 2.7, above) shall be ninety (90) days after the date of approval of this Settlement Agreement by the Commission for all Emergency Response Standards except "All Hours." The effective date of the Evaluation and Penalties for the "All Hours" Emergency Response Standard shall be January 2013.

2.9. If the Staff is not satisfied with the explanation provided by the Company pursuant to paragraph 2.5.2, above, and believes safety is being materially compromised by the Company's poor performance, the Staff may request the Commission to open an investigation to determine whether additional actions should be taken by the Commission to address the Company's performance under the Emergency Response Standards set forth above, which may include establishing financial penalties associated with future performance in addition to the penalties provided in paragraph 2.7, above, if the Commission deems appropriate.

3. Additional Emergency Response Commitments

3.1. The Company agrees to develop and file with the Commission, within three weeks of the date of this Agreement, a work plan by which it will meet the Emergency Response Standards. The work plan will be subject to Staff review and approval.

3.2. Northern agrees to designate a Vice President with responsibility for compliance with the Emergency Response Standards and reviewing all submittals regarding Emergency Response Standards prior to filing with the Commission or Staff.

3.3. Northern agrees to work with the Commission's Safety Division to establish a schedule of quarterly meetings to review the Company's reporting and performance under the Emergency Response Standards. In addition, Staff and the Company agree to review the terms and conditions of this agreement, as well as the performance results achieved, no later than five years from the date of the approval of the agreement to determine whether changes to those terms and conditions are appropriate. If agreement cannot be reached on a recommendation to the

Commission regarding terms and conditions going forward at that time, Staff may petition the Commission to immediately reinstate the Emergency Response Standards established in DG 08-048. Staff will report to the Commission on the outcome of such review.

4. General Provisions

4.1. This Settlement Agreement is expressly conditioned upon the Commission's acceptance of all its provisions, 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 is unable to agree with the changes, conditions or findings, this Settlement Agreement shall be deemed to be withdrawn and shall not constitute any part of the record in this proceeding and shall not be used for any other purpose.

4.2. Under this Settlement Agreement, the Settling Parties agree to this joint submission to the Commission, which represents a compromise and resolution of all issues in this proceeding.

4.3. The Settling Parties agree that the Commission's acceptance of this Settlement Agreement does not constitute continuing approval of, or precedent for, any particular issue in this proceeding. Acceptance of this Settlement Agreement by the Commission shall not be deemed to constrain the Commission's exercise of its authority to promulgate future orders, regulations or rules that resolve similar matters affecting other parties in a different fashion.

4.4. This Settlement Agreement shall not be deemed an admission by any of the Settling Parties that any allegation or contention in this proceeding by any other party, other than those specifically agreed to herein, is true and valid. This Settlement Agreement shall not be construed to represent any concession by any Settling Party hereto regarding positions taken with respect to the issues in this docket, nor shall this Settlement Agreement be deemed to foreclose any Settling Party in the future from taking any position in any subsequent proceedings.

4.5. The Settling Parties agree that all pre-filed testimony and supporting documentation should be admitted as full exhibits for the purpose of consideration of this Settlement Agreement, and be given whatever weight the Commission deems appropriate. Consent by the Settling Parties to admit all pre-filed testimony without challenge does not constitute agreement by any of the Settling Parties that the content of the pre-filed testimony is accurate or that the views of the witnesses should be assigned any particular weight by the Commission. In addition, the resolution of any specific issue in this Settlement Agreement does not indicate the Settling Parties' agreement to such resolution for purposes of any future proceedings.

4.6. The rights conferred and the obligations imposed on the Settling Parties by this Settlement Agreement shall be binding on or inure to the benefit of any successors in interest or assignees as if such successor or assignee was itself a signatory party. The Settling Parties agree

to cooperate in advocating that this Settlement Agreement be approved by the Commission in its entirety and without modification.

4.7. This Settlement Agreement is the product of confidential settlement negotiations. The content of these negotiations, including any documents prepared during such negotiations for the purpose of reaching a settlement, shall be privileged and all offers of settlement shall be without prejudice to the position of any party presenting such offer.

4.8. This Settlement Agreement may be executed in multiple counterparts, which together shall constitute one agreement.

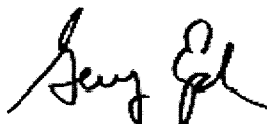
5. Conclusion

The Parties affirm that the proposed Settlement Agreement is just and reasonable and should be approved.

STAFF OF THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

By: _____
Lynn Fabrizio, Staff Attorney

NORTHERN UTILITIES, INC.



By: _____
Gary Epler, Chief Regulatory Counsel, Unitil Service Corp.
Attorney for Northern Utilities

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