

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

Unitil Energy Systems, Inc.
Rate Case
Docket No. DE 16-384

**SETTLEMENT AGREEMENT ON
PERMANENT DISTRIBUTION RATES**

This Settlement Agreement on permanent distribution rates (“Settlement Agreement”) is entered into this 21st day of February, 2017, by and among Unitil Energy Systems, Inc. (“Unitil” or “Company”), the Staff of the New Hampshire Public Utilities Commission (“Staff”), and the Office of the Consumer Advocate (“OCA”) (collectively, the “Settling Parties”), and is intended to resolve all of the issues in Unitil’s rate case, Docket No. DE 16-384. This Settlement Agreement contains the recommendations of the Settling Parties with respect to approval by the New Hampshire Public Utilities Commission (“Commission”) of an increase in Unitil’s permanent distribution rates and associated rate design.

SECTION 1. INTRODUCTION AND PROCEDURAL HISTORY

1.1 On March 30, 2016, pursuant to N.H. Code of Admin. Rules Puc §1604.05, Unitil filed a Notice of Intent to file rate schedules and petition for an increase in permanent distribution rates. At the time of the filing, the approximate amount of the proposed change to distribution revenues was estimated to be \$6.0 million, a 4.0 percent increase to total revenues. The Notice also indicated Unitil’s intent to file rate schedules requesting temporary rates, pursuant to RSA 378:27, for implementation during the pendency of the permanent rate relief request.

1.2 On April 29, 2016, pursuant to RSA 378:3, RSA 378:28 and N.H. Code Admin. Rules Puc §§1600 *et seq.*, Unitil filed testimony, supporting data, and revisions to its Tariff NHPUC No. 3 – Electricity Delivery. The filing requested approval of: (1) a permanent annual increase to its distribution revenues of \$ \$6,255,276, effective June 1, 2016; (2) a 5-year Rate Plan with an initial step adjustment to be implemented on the

effective date of permanent rates, and step adjustments thereafter on or about May 1, 2018, 2019, 2020 and 2021; (5) certain changes to its rate design and select tariff components, including an increase to the fixed charge component of rates, a new Domestic Distributed Energy Resources (DDER Tariff) and a Light Emitting Diode Outdoor Lighting (LED Tariff); (6) various changes to other tariffs; and (7) a temporary revenue increase of \$3.01 million effective as of July 1, 2016, to be recovered on a uniform per kilowatt hour (kWh) basis from all rate classes until completion of the proceeding.

1.3 On May 2, 2016, the OCA notified the Commission that it would be participating in this proceeding on behalf of residential ratepayers consistent with RSA 363:28.

1.4 On May 12, 2016, the Commission issued Order No. 25,900 suspending Tariff No. 3 pursuant to RSA 378:6, I (a) pending investigation and scheduling a prehearing conference for June 1, 2016 and a hearing on temporary rates for June 20, 2016.

1.5 Petitions for Intervention were filed by The New Hampshire Sustainable Energy Association, The Alliance for Solar Choice, Revision Energy, The Acadia Center and The Energy Freedom Coalition of America.

1.6 A prehearing conference was held on June 1, 2016. During the prehearing conference, the Commission heard oral argument on whether consideration of Unutil's proposed Schedule DDER should be undertaken in Docket DE 16-576, a generic investigation into the development of a net metering tariff, rather than in the instant docket. In Order No. 25,906 (June 9, 2016) the Commission suspended the investigation of Schedule DDER, and stayed any litigation regarding, Schedule DDER. The suspension and stay were to remain in effect until the completion of Docket DE 16-576. The Commission also deferred consideration of the petitions to intervene while the stay was in effect.

1.7 Subsequent to the prehearing conference, the parties agreed upon a procedural schedule for the Commission's consideration, which Staff filed on June 3, 2016. On June 7, 2016, the Commission approved the procedural schedule by Secretarial Letter.

1.8 Representatives of Unitil, OCA, and Staff attended a technical session and settlement conference on the temporary rate petition on June 13, 2016, resulting in agreement on temporary rate issues, including agreement on a total annual temporary distribution revenue increase of \$2,415,744. The Commission issued Order No. 25,915 on June 28, 2016, approving the Settlement on Temporary Rates, effective July 1, 2016, subject to reconciliation based on the outcome of the permanent rate case.

1.9 The Audit Staff of the Commission conducted an investigation and audit of Unitil concerning test year (the 12-month period January 1, 2015 through December 31, 2015) information supplied with Unitil's request for a permanent rate increase. Unitil responded to several sets of data requests from the Audit Staff. The results of the Audit Staff's review are included in Final Audit Report dated August 5, 2016.

1.10 On September 16, 2016, Unitil filed updates and changes to the distribution revenue requirement initially filed, resulting in a revised revenue deficiency of \$6,584,710.

1.11 On November 16, 2016, the written testimony of Staff witnesses Richard Chagnon, Utility Analyst; Leszek Stachow, Assistant Director of the Electric Division; James J. Cunningham, Jr., Utility Analyst; Donna Mullinax of Blue Ridge Consulting; J. Randall Woolridge, Ph.D., Professor of Finance of the Pennsylvania State University; and Michael D. Cannata, Jr. of Innovative Alternatives was filed. On the same date, testimony was also filed by OCA witnesses Scott Rubin, Dr. Pradip Chattopadhyay and James Brennan. Discovery was conducted on the Staff and OCA testimony.

1.12 On January 5, 2017, Unitil filed updates and changes to its distribution revenue requirement schedules, resulting in a revised revenue deficiency of \$6,561,831.

1.13 The Staff issued ten sets of discovery to the Company, and OCA issued six sets, plus additional sets of requests submitted after the September and November Technical Sessions. Unitil responded to all requests. The Settling Parties met in technical sessions in June, September, and November. Settlement discussions took place during January 2017, which ultimately led to this Settlement Agreement. No other person participated in the settlement discussions.

SECTION 2. DISTRIBUTION RATE CHANGES

2.1 This Settlement Agreement provides for a series of changes to Unitil's distribution rates. The first such change will occur on May 1, 2017, effective on a service-rendered basis. It will include an increase in Unitil's distribution revenues of \$4,109,022 to recover the Company's distribution revenue deficiency agreed to by the Settling Parties,¹ less an adjustment for temporary rates, plus a step adjustment and a recoupment of the difference between temporary and permanent rates as more fully described herein. The initial rate change will be followed by two additional annual Step Adjustments to rates on May 1, 2018 and May 1, 2019 also effective on a service-rendered basis. Except as provided for specifically under this Settlement Agreement, the Company may not file with the Commission a distribution base rate case before December 31, 2019.

2.2 The May 1, 2017 distribution revenue increase is net of the temporary rates in effect since July 1, 2016, as authorized by the Commission in Order No. 25,915 (June 28, 2016) in this docket. This distribution revenue and rate change will also provide for a step adjustment for 80 percent of the change in Net Plant in Service for the period January 1, 2016, through December 31, 2016 (excluding the Kingston

¹ While the Settling Parties were unable to agree on every individual component included in the Company's distribution revenue requirement, they were able to agree on an overall revenue deficiency of \$4,109,022 to be recovered through a corresponding increase in distribution rates.

substation addition which is included as an adjustment for the period January 1, 2016, through December 31, 2016). A calculation of the May 1, 2017 step adjustment is provided in Attachment 1. The May 1, 2017 distribution rate change shall also include recoupment of the difference between temporary and permanent rates, consistent with RSA 378:29. A calculation of this distribution revenue increase is shown below:

	<u>Amount \$</u>
Permanent revenue deficiency	\$4,109,022
Temporary Rates	<u>\$(2,415,744)</u>
Subtotal	\$1,693,278
Plus:	
Step Adjustment	\$900,194
Recoupment	<u>\$1,411,065</u>
Subtotal	\$2,311,259
Total revenue increase, May 1, 2017	\$4,004,537

This represents an increase of 2.5 percent of total revenues or 7.4 percent of distribution revenues.

2.3 The recoupment is the difference between distribution revenue at temporary rates and permanent rates over the 10-month period July, 1, 2016 through April 30, 2017. A calculation of the recoupment amount is provided in Attachment 2. It will be recovered on a uniform per kWh basis from all classes beginning for service rendered on May 1, 2017 and will end April 30, 2018 as part of the second step adjustment filing.

2.4 The May 1, 2018 distribution revenue increase will be net of the recoupment and will be a step adjustment for the revenue requirement associated with 80 percent of changes in Net Plant in Service for the period January 1, 2017, through December 31, 2017.

2.5 The May 1, 2019 distribution revenue increase will be a step adjustment for the revenue requirement associated with 80 percent of changes in Net Plant in Service for the period January 1, 2018, through December 31, 2018.

2.6 The sum of the May 1, 2017, May 1, 2018 and May 1, 2019 step adjustments shall not exceed \$4.5 million.

2.7 Rate Case Expenses: The Settling Parties agree that the Company may recover the just and reasonable rate case expenses incurred by the Company in the preparation and presentation of its filing in this docket, and the regulatory proceeding expenses incurred by the Commission and the OCA and charged to the Company in this docket. These expenses are to be recovered within Schedule EDC through the External Delivery Charge, a uniform rate per kWh, and shall be amortized over one year, from August 1, 2017 through July 31, 2018.

2.8 Other Regulatory Expenses: The Settling Parties agree that the Company may recover the just and reasonable costs incurred by the Company in the preparation and presentation of its filing in docket DE 16-576, and the regulatory proceeding expenses incurred by the Commission and the OCA and charged to the Company in dockets DE 16-576 and IR 15-296. These expenses are to be recovered within Schedule EDC through the External Delivery Charge, a uniform rate per kWh, and shall be amortized over three years, beginning August 1, 2017 through July 31, 2020.

SECTION 3. COST OF CAPITAL AND CAPITAL STRUCTURE

3.1 In determining the annual changes to distribution revenue and rates, the Settling Parties utilized an overall capital structure and cost of capital as set forth in the table below, including a 9.5 percent return on equity:

	Component		Weighted
	<u>Percentage</u>	<u>Cost</u>	<u>Cost</u>
Common Equity	50.97%	9.50%	4.84%

Preferred Stock Equity	0.13%	6.00%	0.01%
Long-Term Debt	48.80%	7.15%	3.49%
Short-Term Debt	<u>0.11%</u>	1.54%	<u>0.00%</u>
 Total	 <u>100.00%</u>		 <u>8.34%</u>

SECTION 4. EARNINGS SHARING AGREEMENT

4.1 An earnings sharing agreement including the use of an average return on equity (ROE) collar will be in effect as follows: The ROE collar will limit Unitil's ability to propose changes to its permanent distribution rate level, and will result in the equal sharing of earnings if Unitil's earned ROE for any of the three reporting calendar years of 2016, 2017, and 2018 is greater than 10.5 percent. The annual earnings sharing calculation will be due within 60 days after the end of each calendar year and will be subject to review by Staff and the OCA. The Settling Parties may meet to discuss any issues that arise during their review of Unitil's annual earnings sharing report. A Settling Party may seek relief from the Commission if, after the review, it disputes Unitil's report on the annual earnings sharing calculation, including the calculation of the earned ROE for distribution services.

4.1.1 The initial period for the annual earnings sharing calculations described in Paragraph 4.1 is the calendar year ending December 31, 2016. Thereafter, the annual earning sharing calculation shall be performed for the reporting calendar years of 2017 and 2018. Unitil shall use the Puc 308.11 F-1 Form (filed quarterly with the Commission) as the basis for its calculation of the earned ROE.

4.1.2 Unless Unitil's earned ROE for distribution services is less than 7 percent as submitted in the Company's annual Puc 308.11 F-1 filing, Unitil may not file with the Commission a distribution base rate case before December 31, 2019, except as otherwise provided for under this Section 4, Section 8 below, or under RSA 374-G.

4.1.3 If Unitil's earned ROE is greater than 10.5 percent for a reporting calendar year, then revenues equaling 50 percent of such excess will then be recognized by Unitil as a deferred liability and an associated deferred asset, and refunded to customers over the 12-month period beginning on May 1 following the reporting calendar year. The refund will be applied proportionally to all customer classes based on distribution revenue, using current distribution rates and test year billing determinants similar to the Step Adjustments. The refund shall be made through demand (per kVa or kW) or energy (per kWh) charges, as applicable, for all rate classes, except for outdoor lighting, where the refund shall be applied on an equal percentage basis to all luminaire charges. There will be no change in customer charges.

4.2 All calculations made under this Section 4 will exclude the Recoupment (pursuant to RSA 378:29).

SECTION 5. STEP ADJUSTMENTS AND REPORTING REQUIREMENTS

5.1 For purposes of calculating the Step Adjustments, the following definitions shall apply:

5.1.1 Accumulated Depreciation is the cumulative net credit balance arising from the provision for depreciation expense, cost of removal, salvage, and retirements.

5.1.2 Change in Net Plant is the change in Ending Net Utility Plant from one Investment Year to the next which accounts for Plant Additions as well as Accumulated Depreciation.

5.1.3 Ending Net Utility Plant is the "per books" utility Plant Additions for plant in service after Accumulated Depreciation is deducted. Ending Net Utility Plant will match that supplied on the Company's FERC Form 1.

5.1.4 Investment Year is the annual period beginning January 1 and ending December 31 of each calendar year 2016 through 2018 for which capital investments are made by the Company and placed in service.

5.1.5 Plant Additions are the capitalized costs of plant placed in service, after retirements, as recorded on the Company's books during the Investment Year. In Investment Year 2016, the Kingston substation addition is excluded as it is embedded in distribution rates and recovered through the permanent distribution revenue increase.

5.1.6 Pre-Tax Rate of Return is 11.52 percent which is established based on the cost of capital of 8.34 percent and a tax gross up on common stock equity.

5.1.7 Property Taxes are established at an initial rate of 3.17 percent, representing the system property taxes paid as a percent of net plant. This percentage will be updated annually to reflect the most recent property tax costs.

5.1.8 Rate Year is the annual period May 1 through April 30, following the Investment Year.

5.2 The step adjustments associated with each Investment Year beginning on and after January 1, 2016 shall be effective May 1 of the following year with a compliance filing due by the last day of February as outlined below:

Investment Year	Rate Year	Compliance Filing Due
January 1-December 31, 2016	May 1, 2017-April 30, 2018	February 28, 2017
January 1-December 31, 2017	May 1, 2018-April 30, 2019	February 28, 2018
January 1-December 31, 2018	May 1, 2019-April 30, 2020	February 28, 2019

5.3 The step adjustment will recover the distribution revenue requirement associated with 80 percent of the annual Change in Net Plant. The step adjustment revenue requirement will be the sum of the following for each Investment Year:

- Pre-Tax Rate of Return applied to the annual Change in Net Plant multiplied by a factor of 80 percent;
- Depreciation expense on annual Plant Additions multiplied by a factor of 80 percent; and
- Property Taxes on the annual Change in Net Plant multiplied by a factor of 80 percent.

5.4 The amount of the step adjustments are subject to review by the Staff and the OCA, and subject to approval by the Commission, following the filing required by Paragraph 5.2. If the Staff or the OCA are not in agreement with Unitil's calculations or any input to the calculations, they may request that the Commission hold a hearing to determine whether the step adjustment should take effect as scheduled, as calculated by Unitil.

SECTION 6. RATE DESIGN

6.1 Revenue Deficiency. The revenue deficiency allocated to the residential rate class, Rate Schedule D, and outdoor lighting, Rate Schedule OL, shall be capped at 125 percent of the Company's overall average revenue increase (excluding the Temporary Rate increase), or an increase of 9.9 percent. The remainder of the revenue deficiency shall be allocated to the commercial and industrial rate classes, Rate Schedule G, based on an equal percentage increase of 5.5 percent. A schedule showing the allocation of the revenue deficiency and resulting permanent rates is provided in Attachment 3.

6.1.1 The increase for residential Rate Schedule D shall include a customer charge increase to \$15.00 with the remainder of the revenue requirement to be applied to the distribution energy charge. The existing inclining block kWh charges will be replaced by a flat uniform per kWh charge.

6.1.2 The increase for commercial and industrial Rate Schedule G shall include customer charge increases for G2, G2 – kWh meter, G2 – Quick Recovery Water Heating and/or Space Heating to \$27.00, \$17.00, and \$9.00, respectively, while the customer charges for G1 secondary and G1 primary shall be increased to \$150.00 and \$80.00, respectively. The remaining revenue requirement shall be applied to distribution demand or energy charges as applicable.

6.1.3 The transformer ownership credit shall be set at \$0.50 per kW or kVA, as applicable.

6.2 For the step adjustments in Section 5 above, the revenue requirement increase shall be applied proportionally to all customer classes based on distribution revenue, using current distribution rates and test year billing determinants established in this docket. The increase shall be collected proportionately through customer, distribution demand or energy charges as applicable for all rate classes, except for outdoor lighting, where the increase shall be applied on an equal percentage basis to all luminaire charges.

6.3 For earnings sharing in Section 4 above, and exogenous events in Section 8 below, distribution rate adjustments shall also be applied proportionally to all customer classes based on distribution revenue, using current distribution rates and test year billing determinants established in this docket. The charge or credit shall be made through distribution demand or energy charges, as applicable, for all rate classes, except for outdoor lighting, where the amount shall be applied on an equal percentage basis to all luminaire charges. There will be no change in the customer charge.

6.4 The resulting class revenue requirement targets and final distribution rates for effect May 1, 2017, including the permanent rate increase, recoupment and the May 1, 2017 step adjustment, are presented in Attachment 4.

6.5 Bill impacts at average usage from the distribution rates in Paragraph 6.4 above are summarized in Attachment 5. Bill impacts at various usage levels are provided in Attachment 6.

**SECTION 7. MISCELLANEOUS FEES AND CHARGES, VEGETATION
 MANAGEMENT EXPENSES AND OTHER TARIFF CHANGES**

7.1 The Settling Parties recommend that the Commission approve the following changes to Unitil’s Miscellaneous Fees and Charges:

Returned Check Fee: \$13.75

Account Restoration Charge

During Normal Business Hours: \$45.00

Outside Normal Business Hours \$75.00

Unscheduled Meter Read Charge

During Normal Business Hours: \$45.00

Outside Normal Business Hours \$75.00

Enhanced Metering Service

	<u>Monthly</u>	<u>Initial Lump Sum</u>
<u>Service Option 1</u>		
Residential Service	\$17.81	\$742.11
General Service	\$22.19	\$928.61
<u>Service Option 2</u>		
Residential Service	\$6.21	\$258.61
General Service	\$6.21	\$258.61

Interval Data Service

One-time fee for single request per meter \$56.90

Annual Subscription fee per meter \$455.14

7.2 Vegetation Management and Reliability Enhancement Expenses: In an annual compliance filing, the Company will continue to reconcile actual calendar year vegetation management and reliability enhancement O&M expenses with test year costs of

\$4,858,739. Any over- or under-collection shall be reflected in the Company's Schedule EDC (External Delivery Charge) on May 1 of the following year or with approval of the Commission, the Company may credit unspent amounts to future vegetation management program expenditures.

7.3 The Settling Parties agree that Unitil's proposed LED Outdoor Lighting Service, Schedule LED, shall include a provision affording Customers and Municipalities the opportunity to have LED installations performed by a private line contractor subject to agreement with the Company and other related conditions. Municipal customers also have the opportunity to have maintenance performed by a private line contractor subject to agreement with the Company and other related conditions.

7.4 The Settling Parties agree that the Company will amend the Terms and Conditions of its distribution tariff to clarify that the sale of electric vehicle charging services electricity to a third party from an electric vehicle charging station will not be considered the resale of electricity.

7.5 The Settling Parties agree that Unitil shall withdraw, without prejudice, its proposal to recover the bad debt expense for uncollectible accounts receivable due from its Active Hardship Protected Accounts (AHPA). In this proceeding, Unitil had proposed to recover AHPA bad debt expense through the amortization, over a five year period, of a regulatory asset established based on the over-360 days past due balance of AHPA at December 31, 2015, in order to write these balances off for accounting purposes while maintaining the balances as due and payable for customer billing and credit and collection purposes. Unitil also committed to tracking and reporting to the Commission the activity of the AHPA balances during the five year period. Staff testified that the continued increase in the number of residential accounts and the accounts receivable balances of those accounts which are protected through the Medical Emergency procedures in Puc 1205, which do allow utilities a process to disconnect service to customers in non-life threatening situations, is an issue which affects all utilities in New

Hampshire. Accordingly, rather than addressing this issue on an individual utility case-by-basis, the Settling Parties hereby recommend that the Commission open a generic proceeding to develop a common approach to this issue, within six months of the approval of this Settlement. The Settling Parties acknowledge that if no generic proceeding takes place, Unitil will again propose recovery of its over-360 day past due AHPA bad debt expense in its next base rate proceeding.

7.6 Unless otherwise provided for herein, the Settling Parties recommend that the Commission approve the remainder of the Company's proposed tariff revisions, including, but not limited to Unitil's proposed Line Extension Policy and proposed monthly usages for Rate Schedule OL.

7.7 The Company, Staff, and the OCA agree to hold a series of working meetings during the second half of 2017 to develop a data sharing plan (Energy Data Plan). The Energy Data Plan will assess and describe a plan for the collection, management, and reporting of granular energy data from a dedicated database (Energy Database). The Energy Data Plan will include documentation of tables and relationships (Logical Data Model) within the Energy Database. The Logical Data Model will accurately define the data relationships between tables in the Energy Database. The Logical Data Model will provide a version 1 reference architecture which may be used to create a physical Energy Database that could be hosted within the Company's secure IT infrastructure. The Energy Data Plan will take into account data privacy, data security, data retention, data loading, and data maintenance, and other relevant issues as necessary. All work performed, and all recommendations made, will be informed by environmental (technical) and operational constraints of the Company.

SECTION 8. EXOGENOUS EVENTS

8.1 Unitil may adjust distribution rates upward or downward resulting from Exogenous Events, as defined and described below.

8.2 For any singular (not collective) event defined as a State Initiated Cost Change, Federally Initiated Cost Change, Regulatory Cost Reassignment, or Externally Imposed Accounting Rule Change, Unitil may adjust distribution rates upward, and shall adjust distribution rates downward (to the extent that the revenue impact of such event is not otherwise captured through another rate mechanism that has been approved by the Commission) if the total distribution revenue impact (positive or negative) of such event exceeds \$200,000 (Exogenous Events Rate Adjustment Threshold) for calendar years 2017 and 2018.

8.2.1 “State Initiated Cost Change” shall mean any externally imposed changes in state or local law or regulatory mandates or changes in other precedents governing income, revenue, sales, franchise, or property or any new or amended regional, state or locally imposed fees (but excluding the effects of routine annual changes in municipal, county and state property tax rates and revaluations), which impose new obligations, duties or undertakings, or remove existing obligations, duties or undertakings, and which individually decrease or increase Unitil’s distribution costs, revenue, or revenue requirement.

8.2.2 “Federally Initiated Cost Change” shall mean any externally imposed changes in the federal tax rates, laws, regulations, or precedents governing income, revenue, or sales taxes or any changes in federally imposed fees, which impose new obligations, duties or undertakings, or remove existing obligations, duties or undertakings, and which individually decrease or increase Unitil’s distribution costs, revenue, or revenue requirement.

8.2.3 Regulatory Cost Reassignment: The distribution revenue changes described in Section 2 are based on the separation of costs among generation, transmission, and distribution functions of Unitil in place on the date of this Settlement Agreement. “Regulatory Cost Reassignment” shall mean the reassignment of costs and/or revenues now included in the generation,

transmission, or distribution functions to or away from the distribution function by the Commission or the Federal Energy Regulatory Commission.

8.2.4 “Externally Imposed Accounting Rule Change” shall be deemed to have occurred if the Financial Accounting Standards Board or the Securities and Exchange Commission adopts a rule that requires utilities to use a new accounting rule that is not being utilized by Unitil as of January 1, 2017.

8.3 No later than the last day of February of 2018 and 2019, Unitil shall file with the Commission, Staff and OCA a Certification of Exogenous Events for the prior calendar year. If, in the prior calendar year, Unitil incurs any changes in distribution costs, revenue, or revenue requirement in excess of the Exogenous Events Rate Adjustment Threshold in connection with any Exogenous Event as defined in Paragraph 8.2, Unitil shall provide specific and sufficient detail supporting each change and the Exogenous Event(s) associated with each change for the Commission, Staff and OCA to assess the proposed Exogenous Event rate adjustment. If no Exogenous Events causing changes in excess of the Exogenous Events Rate Adjustment Threshold occurred during the prior calendar year, Unitil shall certify that fact in its annual Certification of Exogenous Events. On or before March 31 of 2018 and 2019, the Staff and the OCA may make a filing requesting an Exogenous Event rate decrease or contesting an Exogenous Event rate increase proposed by Unitil. Any adjustments to Unitil’s revenue requirement for Exogenous Events: (1) shall be subject to review and approval as deemed necessary by the Commission; and (2) shall be implemented for service rendered on or after May 1 of that year. Any such filings are limited to one per calendar year, provided that any costs incurred or saved due to such Exogenous Events shall be deferred for consolidation in the single filing.

8.4 Unitil will not seek a rate increase pursuant to Section 8 if the period of time covered by the Section 8 adjustment overlaps with a period of time for which Unitil is required to return overearnings to customers pursuant to Section 4.

8.5 Any Exogenous Event adjustment made pursuant to this Settlement Agreement will remain in rates only until the effective date of new rates determined in the Company's next distribution base rate proceeding.

SECTION 9. GENERAL PROVISIONS

9.1 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.

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

9.3 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 other than those specified herein. 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.

9.4 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 Unitil's permanent rate request 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. The revenue requirement amounts associated with each of the rate adjustments detailed herein are liquidated amounts that reflect a resolution of all the issues in this proceeding.

9.5 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.

9.6 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.

9.7 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.

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

SECTION 10. CONCLUSION

10.1 The Parties affirm that the proposed Settlement Agreement will result in just and reasonable rates and should be approved.

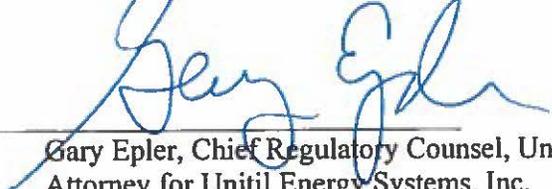
**STAFF OF THE NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

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UNITIL ENERGY SYSTEMS, INC.

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