

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 13-063

**LIBERTY UTILITIES (GRANITE STATE ELECTRIC) CORP.
D/B/A LIBERTY UTILITIES**

Petition for Permanent Rate Increase

Order Approving Settlement and Permanent Rates

ORDER NO. 25,638

March 17, 2014

APPEARANCES: Sarah B. Knowlton, Esq. on behalf of Liberty Utilities Corp.; Hinckley, Allen & Snyder, LLP by Daniel M. Deschenes, Esq. on behalf of Mary Hitchcock Memorial Hospital and Dartmouth-Hitchcock; the Office of Consumer Advocate by Susan W. Chamberlin, Esq. on behalf of residential ratepayers; and Suzanne G. Amidon, Esq. on behalf of Commission Staff.

I. PROCEDURAL HISTORY

On February 27, 2013, Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities (Liberty or Company) filed a notice of intent to file rate schedules, followed on March 29, 2013 by a petition for a permanent rate increase of 18.04%, a step adjustment, and a request for temporary distribution rates. Liberty's filing included the direct testimony of the following officers and employees of Liberty: Victor Del Vecchio, ChristiAne Mason, Dr. Michael Schmidt, Mark Smith, Daniel Saad, Kurt Demmer, and William Sherry; as well as consultants Robert Hevert, a principle of Sussex Economic Advisors, LLC; Howard Gorman, President of HSG Group, Inc.; and Dane Watson, Alliance Consulting Group. The filing included exhibits in support of the proposed temporary and permanent rates, related supplemental information, and proposed temporary and permanent rate tariffs.

Pursuant to RSA 378:27, Liberty requested a temporary increase in annual distribution revenues of \$9.2 million for effect with service rendered on and after July 1, 2013 and to continue until such time as the Commission issued a final determination regarding the Company's permanent rate proposal. The request for temporary rates represented an approximate increase of 37.0% over then-current distribution revenues, resulting in an increase in rates for residential and small commercial customers ranging from 4.5% to 11.1%.

For permanent rates, Liberty requested an increase of \$14,168,940 in annual distribution revenues. In the filing, Liberty also proposed a number of revenue-related changes in its service including (1) a step increase to recover an annual revenue deficiency of approximately \$1.2 million based on additional capital investment in service as of December 31, 2013, (2) approval of long-term reliability enhancement and vegetation management programs (REP/VMP), (3) the authority to use reconciling mechanisms for storm recovery, property tax recovery and pension recovery; (4) recovery of pre-staging costs associated with major storms, (5) changes to certain customer fees including the Company's service connection fee, and (6) changes to its line extension policy and related costs. In addition, due to low customer participation, Liberty proposed to end its GreenUp program that allowed customers to support green or renewable resources. Liberty also provided a discussion of its current efforts in evaluating LED lighting technology.

The Office of Consumer Advocate (OCA) filed a letter of participation in this proceeding on March 11, 2013, pursuant to RSA 363:28. On April 11, 2013, the Commission issued Order No. 25,490 suspending the tariffs and scheduling a prehearing conference and temporary rate hearing. On April 19, 2013, Mary Hitchcock Memorial Hospital and Dartmouth-Hitchcock

(Dartmouth-Hitchcock) filed a joint petition to intervene which the Commission granted at the prehearing conference on April 24, 2013.

Staff filed the direct testimony of Steven E. Mullen on temporary rates on May 24, 2013 and after discussions among the parties, Liberty, OCA and Staff filed a settlement agreement with respect to temporary rates.

Following the hearing on temporary rates, the Commission issued Order No. 25,531 (June 27, 2013) approving the settlement and granting Liberty a temporary distribution revenue increase of \$6.5 million for effect with service rendered on and after July 1, 2013.

On October 16, 2013, Liberty filed a Corrected and Updated calculation of its revenue requirements for both permanent rates and the requested step adjustment. The filing included updated exhibits and schedules to reflect changes and corrections that Liberty had made to its initial filing in the course of discovery. In the updated filing, Liberty calculated its revenue deficiency for permanent rates to be \$12,978,141, a decrease of \$1,190,799 from the initial revenue deficiency of \$14,168,940.

Liberty filed the joint direct testimony of Stephen R. Hall and Howard Gorman on October 25, 2013 Dartmouth-Hitchcock filed the direct testimony of Gail A. Dahlstrom on November 15, 2013. On the same date, Staff filed the direct testimony of Steven E. Mullen Leszek Stachow, Grant W. Siwinski, James J. Cunningham, Jr., and Al-Azad Iqbal. Discovery ensued, followed by settlement discussions.

Liberty filed a motion for protective order and confidential treatment on January 22, 2014. On January 23, 2014, Liberty filed a Stipulation and Settlement Agreement (Settlement) between Staff and the Company with a letter requesting a waiver of the filing requirements for settlement agreements pursuant to Puc 203.20 (e).

The Commission granted the waiver and the motion for protective order on January 28, 2014, at the merits hearing. Also on January 28, 2014, Liberty reported that the OCA had joined the Settlement.

II. POSITIONS OF THE PARTIES AND STAFF

A. Initial Filing

1. Liberty Utilities

It had been 15 years since the Company had a rate case before the Commission. Prior to July 2012, Granite State Electric Company was owned by National Grid. In July 2012, Liberty Energy NH, a subsidiary of Algonquin Power & Utilities Corp, acquired Granite State Electric Company.¹ The Company used calendar year 2012 as its test year in developing its permanent rate filing, and consequently, six months of the test year data was based on the records of National Grid.

Since 1996, the year of its last distribution rate increase, the Company made approximately \$94 million in capital investments. In addition, many of the tariff charges assessed by Liberty are outdated, and the revenue from those tariff charges does not recover all of the Company's associated costs. According to Liberty, the Company has not recovered the costs associated with the remaining capital investments, all of which Liberty argued were prudently incurred and used and useful in the provision of service to the Company's customers. These investments, along with a significant increase in operations expenses and insufficient growth in sales volumes combined to drive the Company's need for a rate increase. Liberty's earned return on distribution investment, a negative 0.75%, represents serious erosion from its

¹ The transfer of ownership was the subject of DG 11-040 and included the transfer of GSEC's sister company, EnergyNorth Natural Gas. The transfer was effective on July 3, 2012. *See* Order No. 25,370 (May 30, 2012).

allowed return of 8.61%. Liberty argued that a rate increase is necessary to allow the Company to continue to operate in a safe and reliable manner.

Liberty initially requested a permanent increase of \$14,168,940 in distribution revenues, representing an increase to overall revenues of 18.04%, and a step increase to recover an annual revenue deficiency of \$1,250,467 based on additional capital spending of approximately \$9.2 million for the period ending December 31, 2013. Subsequently, Liberty recalculated its revenue deficiency for permanent rates to be \$12,978,141 and its revenue deficiency for the step adjustment to be \$1,242,000.

In addition to the permanent revenue increase, the Company requested approval of the following elements in its rate structure: (1) a 10.5% return on equity (ROE), (2) a debt/equity ratio of 45% to 55%, (3) a cost of debt rate of 5.64%, and (4) the authority to use reconciling mechanisms for recovery of costs associated with storm restoration, property taxes, and pension costs. Liberty calculated that a 10.5% ROE together with the Company's proposed capital structure and cost of debt would produce an overall rate of return of 8.32%.

Liberty also proposed the following changes to its REP/VMP investment: (1) an increase to the base level of operation and maintenance (O&M) expense from \$1,360,000 to \$1,750,000, (2) the addition of new capital projects to the REP, (3) an increase in the annual REP capital investment target from \$500,000 to \$1,250,000, and (4) changes to the way that reliability metrics are reported. Liberty contended that the increase in the base level is consistent with recent funding, and will allow the Company to shorten trim cycles on feeders or portions thereof that have experienced aggressive tree growth. With regard to the reporting of metrics, Liberty proposed retaining the existing reliability target metrics for the System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI), but

requested authority to report each metric on a rolling five-year average basis to minimize the impact of uncontrollable factors, excluding the effect on performance by supply assets owned by others, and excluding planned and notified outages from its calculation of SAIDI.

With regard to storm recovery costs, Liberty requested authority to recover pre-staging costs for certain qualifying storms in a manner similar to that approved for Unitil Energy Systems, Inc. and Public Service Company of New Hampshire (PSNH). With this authority, Liberty would be entitled to recover through rates the costs of preparing for a forecasted major storm in the event that such a storm did not occur.

Among the miscellaneous terms and conditions of service addressed in Liberty's filing were changes in service connection and activation fees, service reconnection fees, service reconnection fees after hours, variance of bill adjustments due to meter tests, and a collection field visit fee. Liberty stated that the fees required updating to reflect the Company's current costs to provide the services. Liberty based the fee changes upon a survey of charges imposed by other utilities. Additionally, Liberty proposed changes to its line extension policies and charges by shifting from a model that requires a company engineer to develop a separate estimate of cost for each project to a standard cost-per-foot methodology.

The Company requested authority to end the GreenUp program. Liberty explained that the program was initiated to meet the requirements of RSA 374-F:3, V(f), but the level of participation did not attract a sufficient number of customers to warrant continuation of the program. Liberty further explained that customers would have other market opportunities to support renewable projects.

Finally, the Company requested authority to recover up to \$300,000 in rate case expenses, plus \$90,000 in costs associated with a depreciation study it conducted in preparation

of the rate case. The Company proposed to recover the total cost associated with the rate case over one year, through a rate case surcharge.

2. Dartmouth-Hitchcock

Dartmouth-Hitchcock estimated that the impact of Liberty's proposed increase on its electricity costs would be \$605,000 per year and stated that such an increase would drastically increase Dartmouth-Hitchcock's operational costs. According to Ms. Dahlstrom, given the nature of the medical equipment used to provide necessary treatment, Dartmouth-Hitchcock cannot meaningfully reduce electricity consumption to reduce its electric service costs. Ms. Dahlstrom explained that Dartmouth-Hitchcock cannot pass this increased electric service cost on to its consumers, and consequently the increased cost must be directly absorbed by Dartmouth-Hitchcock.

Dartmouth-Hitchcock opined that Liberty's increases in distribution rates must be reasonable and gradual to avoid imposing undue hardship on Liberty's customers. Dartmouth-Hitchcock stated that its industry has been forced to revise its business model to operate profitably with less reimbursement and that Liberty should be similarly required to improve its business model so that it can operate profitably without causing rate shock to captive distribution consumers.

3. Staff

Staff filed testimony on the following issues: (1) Liberty's proposed revenue requirements, (2) the appropriate cost of capital and return on equity (ROE), (3) the Company's proposed tariff changes, (4) the REP/VMP proposal, and (5) depreciation, employee benefits, and related matters.

According to Staff, the test year used by Liberty in this instance involved costs from two different ownership and management organizations, and also included costs incurred as a result of National Grid's continued performance of some tasks for Liberty pursuant to certain Transition Service Agreements (TSAs). This hybrid test year presented challenges in verifying data provided by National Grid and Liberty. To ascertain the costs associated with Liberty's sole management of Granite State Electric Company, Staff recommended that Liberty file a rate case within the next two to three years using a "clean" test year that does not include costs associated with any TSAs. In addition, Staff suggested that Liberty track and analyze the costs associated with its proposed tariff changes to develop a basis for setting rates. Staff opposed the various reconciling mechanisms proposed by the Company.

Staff recommended a permanent increase to distribution service revenues of \$8,254,359, an incremental increase of \$1,754,359 above the level of revenues approved in the temporary rates portion of this proceeding. In addition, Staff recommended a step increase of \$1,288,682 associated with Liberty's capital investment as of December 31, 2013. The Staff derived \$1,288,682 after adjusting certain costs including vehicle costs, property taxes, the insurance percentage, depreciation rates, and cost of capital. With these corrections, Staff supported an annual revenue increase and an annual rate increase of \$0.00139/kWh for effect with service rendered on and after April 1, 2014.

In arriving at the permanent increase to revenue requirement of \$8,254,359, Staff made several adjustments to the calculations in Liberty's October 16, 2013, updated and corrected filing. Some of the adjustments included (1) the elimination of certain inflation factors and non-recurring labor costs from the calculation of the revenue requirement, (2) a downward adjustment of the REP/VMP to maintain base level O&M funding at current levels, (3) an

increase of \$770,859 to the test year for Liberty's major storm cost reserve, (4) the removal of \$84,553 from the test year based on Staff's adjustment of Liberty Utility and Algonquin's management costs, (5) removal of \$79,282 which Liberty had used as an estimate of 2012 property taxes, (6) certain adjustments to late payment charges and bad debt expense, and (7) a recommendation that Liberty's rate case expense be removed from base rates and instead be recovered through a one-year surcharge to rates.

With regard to employee benefits and expenses, Staff recommended reductions of \$178,160 in pension costs, \$102,922 in other post-employment benefits costs, \$32,641 for costs of a 401K thrift plan, \$126,477 in workers compensation expenses, \$80,158 in medical expenses, and \$100,108 in other health care costs.

Liberty's proposed capital structure is reasonable and that the Company's proposed long- and short-term debt is appropriate. Staff differed with Liberty with regard to the development of the cost of equity estimation and argued that the Company's estimation of 10.50% was overstated. After adjusting Liberty's cost of equity models, Staff determined that the resulting ROE estimates ranged from 8.68% to 11.09%. According to Staff, a ROE of 9.55% would be reasonable and appropriate. Staff calculated that with a capital structure of 45% debt and 55% equity as proposed by Liberty, a cost of debt of 5.95% as proposed by Liberty, and a 9.55% return on equity as proposed by Staff, the Company's overall rate of return would be 7.92%.

Staff argued that Liberty has accumulated a \$5,578,423 surplus in depreciation reserves when compared to booked amounts as a result of using booked depreciation accrual rates that were higher than they should have been. Staff also argued that the depreciation rates currently proposed by Liberty, and which result in a deficit of \$3,160,175, were too high. Amortizing this imbalance over a short period is generally accepted. Staff recommended amortizing the

\$5,578,423 surplus over five years, or at \$1,115,686 per year. Staff recommended annual depreciation expense of \$3,279,420, a reduction of \$2,243,286 from Liberty's proposed amount of \$5,522,706, and depreciation-related rate base adjustments that would increase rate base by a net of \$233,077.

Staff supported Liberty's request to end its GreenUp program. With regard to miscellaneous charges and fees, there were several proposed tariff changes which Staff believed should be based upon cost studies, rather than being based upon surveys of rates charged by other utilities. These included service connection, reconnection, after-hours service to establish or reestablish service, collection field visits, and line extension charges. Staff recommended that the proposed rates be approved, and then set in the next full rate case based upon studies of actual cost. Similarly, Staff recommended that costs of optional interval data service, optional billing and data service, off-cycle meter reads for switch of supplier, and energy service cost reclassification adjustment fees be studied and set in Liberty's next rate case. Lastly, Staff argued that Liberty should revise its tariff language regarding line extensions to clearly inform customers and developers of their options under RSA 370:12, which allows power line extensions on private property to be constructed by third party contractors.

B. Settlement Agreement

The full terms of the Settlement are found at Hearing Exhibit 9, which consists of a 10 page settlement and 32 pages of attachments. Key terms are summarized below.

Under the Settlement, Liberty would receive an increase of \$9.760 million to the test year distribution revenue level of \$26.543 million, based on an overall rate of return of 7.92%, effective with service rendered on and after April 1, 2014. The overall rate of return is based on a cost of equity of 9.55%, a cost of long-term debt of 5.95%, and a capital structure of 55%

equity and 45% debt. This increase in the revenue requirement would be reconcilable to July 1, 2013, the effective date of the temporary rates approved in this docket.

Liberty would also be permitted to recover an estimated additional \$1.115 million in annual revenue in the form of a step increase in rates for capital additions used and useful as of December 31, 2013. The amount of the step increase would be subject to a final audit by Staff, and would take effect with service rendered on and after April 1, 2014.

The parties to the Settlement agreed to the calculation of depreciation rates using specified service lives and net salvage rates. They also agreed that Liberty would amortize its pension deferred debt related to the acquisition of the Company from National Grid over the average remaining length of service for the Company's employees, or 10.52 years.

With regard to tariff changes, the parties agreed that Liberty would be authorized to adopt certain fees and to change its line extension policy. Pursuant to the Settlement, Liberty would be authorized to adopt the following fees: (1) service connection/activation fee (\$20.00), (2) service reconnection fee (\$35.00), (3) service reconnection fee after hours (\$70.00), (4) variance of bill adjustment due to meter tests (plus or minus 2%), and (5) collection field visit fee (\$20.00). Liberty agreed to track the costs associated with these services and to propose any appropriate changes as part of its next distribution rate case filing. With regard to the line extension policy set forth in Liberty's tariff, the parties agreed to a policy statement that describes customers' rights under RSA 370:12 to use private contractors in certain circumstances.

Temporary rates are lower than the permanent rates agreed to by the parties. The Settlement provides that Liberty shall recoup the difference of \$2.445 million over a two-year period by increasing the annual distribution rate level by \$1,222,500 for the two-year period ending April 1, 2016. An estimated \$390,000 in rate case expense and the cost of the

depreciation study would be recovered in the same manner, by increasing the annual distribution rate level by \$195,000 for the same two-year period. The exact amount of rate case costs to be recovered would be subject to an audit by Staff. Rate case expenses and the step increase would be recovered by applying an equal percentage increase to each component of rates for each rate class. The remaining rate increases would be recovered as specified in Exhibit E to the Settlement Agreement.

The Settlement permits the Company to continue its REP/VMP programs at current program funding. Beginning November 15, 2014, Liberty is to submit an REP/VMP plan for the following calendar year for review and comment by Staff. Each plan is to have a base O&M budget of \$1,360,000 and an REP capital investment target of \$1 million annually. For any year, if actual O&M spending is less than the base amount, the difference will be refunded to customers or credited for future O&M expenditures. If actual O&M spending is greater than the base amount, the difference shall be recovered through a uniform adjustment factor on a per kilowatt-hour basis over a twelve-month period, subject to Commission approval. REP capital investments are to be recovered through permanent increases to base distribution rates, subject to Commission approval. The parties agreed to changes in the reporting of SAIDI/SAIFI results.

With regard to Liberty's Storm Fund, the parties agreed to an annual funding amount of \$1.5 million, \$120,000 of which is currently included in distribution rates and reconciled through the storm recovery adjustment factor, and the remainder of which is included in the \$9.760 million revenue increase agreed to in the Settlement. The monies in the Storm Fund shall be used for the recovery of costs associated with major storms experienced by the Company, which are defined as a severe weather event or events causing 30 concurrent troubles (interruption events occurring on either primary or secondary lines) and 15 percent of customers interrupted or

45 concurrent troubles. The Company shall be entitled to recover planning and preparation activities in advance of severe weather if the weather forecast for the event shows a Schneider Electric Event Index (“EII”) level of 3 or greater with a high probability of occurrence. The activities for which the Company may seek recovery include pre-staging of crews, standby arrangements with external contractors, incremental compensation of employees, and other costs that may be incurred to prepare for a qualifying major storm.

Finally, the Settlement allows Liberty to discontinue its GreenUp program with 30 days prior notice to customers.

1. Liberty

According to Liberty, the Settlement Agreement does not address all the issues facing Liberty, and the Company will need to address such issues, including rate design, in its next rate case. While the effect of the Settlement would be to increase rates, the impact of rate increases would be mitigated by the temporary rate increase that took effect on July 1, 2013. The Company worked diligently to keep rate case expense as low as possible and believes that the cap of \$390,000 for rate case expense and the depreciation study to be reasonable. Finally, Liberty requested that the Commission approve the Settlement in its entirety without any changes.

2. Dartmouth-Hitchcock

Dartmouth-Hitchcock neither joined nor provided testimony opposing the Settlement. Dartmouth-Hitchcock did, however, argue at hearing that the Commission should take into account the economy in deciding whether to approve an increase in rates and that any increase should be stepped to avoid rate shock.

3. Office of Consumer Advocate

The OCA did not file testimony; however, the OCA is a party to and supported the Settlement.

4. Staff

Staff stated that, pursuant to Commission rules, the Commission may approve a settlement agreement if the settlement agreement fairly resolves the areas of disagreement in a case and the results are just and reasonable. Staff opined that the Settlement, taken in its entirety, resolves all issues in dispute. Staff acknowledged that the Settlement results in increased rates, but given the fact that Liberty was under-earning and it has responsibility to provide safe and reliable electric service to customers, the resulting rates are reasonable. Staff recommended that the Commission approve the Settlement.

III. COMMISSION ANALYSIS

We begin our analysis by reviewing the Settlement, which represents a compromise and liquidation of all issues in this proceeding. Liberty was earning a return on distribution investments of approximately negative 0.75%, well below the Company's allowed return of 8.61% at the time of filing. Staff recommended that Liberty be permitted to increase its revenue requirement in order to have an opportunity to earn a reasonable rate of return and have the financial ability to properly deliver service and operate and maintain all aspects of providing that service. We find that the Company has demonstrated a need for a rate increase.

The Settlement increases the distribution rates for Liberty's customers. The Commission is authorized to fix rates after a hearing, upon determining that rates, fares and charges are just and reasonable. RSA 378:7. In circumstances where a utility seeks to increase rates, the utility bears the burden of proving the necessity of the increase pursuant to RSA 378:8. In determining

whether rates are just and reasonable, the Commission must balance the customers' interest in paying no higher rates than are required against the investors' interest in obtaining a reasonable return on their investment. *Eastman Sewer Company, Inc.*, 138 N.H. 221, 225 (1994). In this way, the Commission serves as arbiter between the interests of customers and those of regulated utilities. See RSA 363:17-a; see also *EnergyNorth Natural Gas, Inc. d/b/a National Grid NH*, Order No. 25,202 (March 10, 2011) at 17.

Pursuant to RSA 541-A:31, V(a), informal disposition may be made of any contested case at any time prior to the entry of a final decision or order, by stipulation, agreed settlement, consent order or default. N.H. Code Admin. Rules Puc 203.20(b) requires the Commission to determine, prior to approving disposition of a contested case by settlement, that the settlement results are just and reasonable and serve the public interest. In general, the Commission encourages parties to attempt to reach a settlement of issues through negotiation and compromise, as it is an opportunity for creative problem solving, allows the parties to reach a result more in line with their expectations, and is often a more expedient alternative to litigation. *EnergyNorth Natural Gas, Inc. d/b/a National Grid NH*, Order No. 25,202 (March 10, 2011) at 18. Even where all parties join a settlement agreement, however, the Commission cannot approve it without independently determining that the result comports with applicable standards. *Id.* As the instant Settlement pertains to a rate case, the underlying standard to be applied is whether the resulting rates are just and reasonable. RSA 378:7.

The Settlement calls for an overall revenue increase of \$9.760 million plus a step increase of \$1.115 million effective April 1, 2014. We compare these amounts to the revenue increase originally sought by Liberty (a revenue increase of \$14,168,940 plus a step of approximately \$1.2 million), and that originally recommended by Staff (\$8,254,359 revenue increase plus a step

of \$1,288,622) and understand that the amount of the revenue increase in the Settlement represents a negotiated amount that provides Liberty the revenues necessary to provide safe and reliable service. We find this to be an indication that the Settlement is reasonable and in the public interest. This increase provides for an overall rate of return of 7.92%, based upon a return on equity of 9.55%, and the application of a capital structure of 55% equity and 45% debt. We find this rate of return, and return on equity, to be reasonable, and within the scope of recent precedent. *See, e.g., EnergyNorth Natural Gas, Inc. d/b/a National Grid NH*, Order No. 25,202 (March 10, 2011) at 19 (approving a return on equity of 9.67 percent). With regard to Dartmouth-Hitchcock's argument that we should take the economy into account and step any rate increase to avoid rate shock, we find that moving from temporary rates to permanent rates has helped to mitigate the impact of the rate increase, and that the resulting increase is, on balance, just and reasonable.

We have carefully reviewed the Settlement's treatment of rate design, tariffed fees, line extension policy, pension expenses, effective date, recoupment mechanisms, and rate case recovery. We find that these provisions appropriately balance the interests of Liberty and its customers, and we approve these changes as stipulated in the Settlement as being just and reasonable and in the public interest. Although we approve Liberty's proposed changes to its line extension policy for the time being, we will, in the very near future, open a generic proceeding regarding line extension policies. Liberty Utilities will be a mandatory party in that proceeding. *See Public Service Co. of N.H.*, Order No. 25,637 (March 17, 2014) at 6. We may revisit our approval of Liberty's line extension policy at that time.

The Settlement calls for a Staff audit of the step increase and rate case expenses. The recovery of the step increase and audit expense shall be reconciled to the results of Staff audits.

Liberty shall file a final accounting of rate case and step increase expenses no later than March 31, 2014, to permit Staff to conduct the requisite audits.

To conclude, we approve the Settlement and incorporate its terms and conditions into this Order. To facilitate the efficient administration of the Settlement, we authorize the signatories to modify the Agreement so long as any modification is mutually agreed upon and non-substantive, such as a clerical or ministerial amendment that involves timing or scheduling. The signatories shall file any such modification with the Commission and provide a copy to all parties on the service list. The Commission will approve such requests, if appropriate, via secretarial letter without the need for notice or hearing.

Based upon the foregoing, it is hereby

ORDERED, that the Settlement Agreement regarding Permanent Rates between Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities, Staff, and Office of Consumer Advocate is hereby APPROVED; and it is

FURTHER ORDERED, that Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities is hereby authorized to begin recovery of the increased revenue requirements in base rates effective with service rendered on and after April 1, 2014; and it is

FURTHER ORDERED, that Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities is authorized to begin recovery of a step increase of \$1.115 million effective with service rendered on and after April 1, 2014; and it is

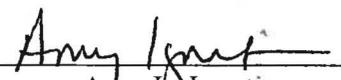
FURTHER ORDERED, that subject to any results of a Staff audit, Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities is authorized to begin recovery of \$390,000 in rate case expense beginning with service rendered as of April 1, 2014 through March 31, 2016; and it is

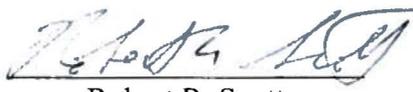
FURTHER ORDERED, that Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities is authorized to begin recovery of the \$2.445 million difference between temporary and permanent rates beginning with service rendered as of April 1, 2014 through March 31, 2016; and it is

FURTHER ORDERED, that Liberty Utilities (Granite State Electric) Corp., d/b/a Liberty Utilities shall file all documentation relating to the step increase and rate case expenses no later than March 31, 2014; and it is

FURTHER ORDERED, that Liberty Utilities (Granite State Electric) Corp., d/b/a Liberty Utilities shall file tariffs conforming with this order within 15 days of the date of this Order in accordance with N.H. Code Admin. Rules Puc 1603.02(b).

By order of the Public Utilities Commission of New Hampshire this seventeenth day of March, 2014.


Amy Ignatius
Chairman


Robert R. Scott
Commissioner


Martin P. Honigberg
Commissioner

Attested by:


Lori A. Davis
Assistant Secretary