

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2007-119

October 17, 2007

NORTHERN UTILITIES, INC.,
Request for Approval of Affiliated
Interest Transaction Between Northern
Utilities and Granite State Gas Transmission, Inc.

ORDER

ADAMS, Chairman; REISHUS and VAFIADES, Commissioners

I. SUMMARY

We approve Northern Utilities, Inc.'s (Northern) proposed affiliated agreement with Granite State Gas Transmission, Inc. (Granite), as submitted on October 9, 2007, which delineates the facilities for which each entity has responsibility for operation and maintenance at each metering and regulation station where Granite delivers gas to Northern.

II. PROCEDURAL HISTORY

On March 1, 2007, Northern petitioned the Commission to find that a proposed agreement by and between Northern and its affiliate, Granite, was not adverse to the public interest and to give its written approval to the same. Northern states in its petition that the agreement results from the Commission's November 26, 2006 Order in Docket No. 2006-616, *Northern Utilities, Inc., Request for Approval of Affiliated Interest Transaction with Granite State Transmission, Inc.*, directing Northern to develop a written agreement that identified the responsibilities of Northern and Granite with regard to the operation and maintenance of metering and regulator (M&R) stations as Granite had been providing these services to Northern for years without an affiliate agreement.

On March 30, 2007, the Commission issued its Notice of Extension of Review Period, extending the review period sixty days from April 30, 2007. On April 20, 2007, the Hearing Examiner issued Advisor's Data Request No. 1, which Northern replied to on May 1, 2007. On June 13, 2007, Northern voluntarily withdrew its petition indicating that it planned to file a modified agreement shortly. Northern filed its modified agreement on August 1, 2007. In addition to the written communication, several informal communications between Staff and Northern took place to obtain additional clarification of the terms of the agreement. Northern filed its final version of the agreement on October 9, 2007.

III. AGREEMENT

The agreement articulates the responsibilities of Northern and Granite with regard to the operation and maintenance of M&R equipment at the stations. Northern states in its petition that it "presently has the following understandings: (1) Granite owns

the M&R equipment that it has operated on Northern's behalf; and (2) Northern seeks to enter into the proposed affiliate M&R Agreement with Granite so that Northern may operate, control and maintain this property until a purchase agreement is negotiated and such a purchase agreement is approved by the Commission."¹

The Agreement specifies the physical points at the M&R stations that Granite and Northern are responsible to maintain and operate. The Agreement has four exhibits to help clarify the responsibilities. Exhibit A is a Schedule of M&R stations serving Northern. Exhibit B is a Responsibility Matrix summarizing the facilities & equipment, indicating which entity owns the facilities, and which entity is responsible for the Operation, Control & Minor Maintenance. Exhibits C & D are photographs of the M&R stations in Maine and New Hampshire, respectively, showing the physical limits at each station.

The agreement also includes terms that indemnify Northern and/or Granite against all liabilities or causes of action, claims, demands, suits, damages, judgments, fees, fines, penalties, costs and expenses arising from or related to events from or caused by the negligence or willful misconduct of the other affiliate in carrying out its responsibilities under this Agreement. This indemnification provision specifically cites any results related to the April 5, 2007 incident at the Moody Street regulator station in Saco, Maine and the September 15, 2007 over-pressuring incident at the Blueberry Road regulator station in Westbrook, Maine. In the agreement Northern also agrees to indemnify Granite in similar situations arising from events from or caused by the negligence or willful misconduct of Northern in carrying out its responsibilities under this Agreement.

IV. DISCUSSION AND DECISION

This agreement will make explicit changes from the historic arrangement between Northern and Granite with regard to pressure regulation facilities and responsibilities. Historically, interstate pipelines both owned the gas that they delivered to LDCs and were responsible under federal safety regulations for operating and maintaining the pressure regulation stations at each delivery point. Therefore, Northern has been relying on Granite to operate and maintain the pressure regulation facilities that protect its distribution facilities from excessive pressure for many years.

However, the federal regulations governing this relationship changed in the early 1970's, when the FERC unbundled the provision of gas commodity from the provision of gas transportation services, and required interstate pipelines to divest themselves of gas ownership. After this change, the regulations put the responsibility for ensuring that distribution systems were not over-pressured onto those that accept gas deliveries from

¹ Northern is not required to own the facilities but is "the Operator" with responsibility for pressure-regulation on its system pursuant to the federal code.

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the interstate pipelines, such as distribution system operators.² Consequently, interstate pipelines began to sell their pressure regulation facilities installed at delivery points to the LDCs served at those locations, thereby consolidating ownership with responsibility for operation and maintenance under the code. However, corporate management for Granite and Northern evidently perceived it as less critical to make similar changes in the symbiotic pattern of ownership or operational responsibility between these affiliates. In the affiliates' view, Granite had been maintaining its metering and regulation facilities consistent with its FERC-approved tariff (although it may not be explicit), and it recovers the cost in its FERC-approved rate.

This relationship in itself would not have created a regulatory issue were it not for the fact that the sense of responsibility that Northern would have had over its pressure-regulation facilities did not change as regulations changed. Rather, the lines of responsibility became blurred, Northern was lulled into a sense of trust that its pressure protection needs were being fully taken care of by Granite and confusion arose as to which entity was ultimately responsible for over-pressure protection for Northern's system under the federal regulations. Moreover, after several mergers and internal reorganizations had taken place, it appeared that decisions regarding what measures or equipment would best protect Northern's system were being made by NiSource interstate pipeline group managers based in Ohio or Indiana, rather than by Northern personnel most familiar with the operating conditions of its system in Maine.³

In 1998, we adopted Chapter 820 to govern the sharing of services and equipment between affiliates to ensure that transactions would be conducted in a more "arm's length" manner, using market based pricing, to assure fairness to each entity's ratepayers. Accordingly, upon discovery of this service relationship, we directed Northern to file an affiliate agreement that would harmonize its arrangements with Granite with the requirements of Chapter 820 and of 35-A M.R.S.A. § 707. Northern

² Section 49 CFR 192.195 states: "Each distribution system that is supplied from a source of gas that is at a higher pressure than the maximum allowable operating pressure for the system must (1) Have pressure regulation devices capable of meeting the pressure, load and other service conditions that will be experienced in normal operation of the system, and that could be activated in the event of failure of some portion of the system; and (2) Be designed so as to prevent accidental over-pressuring."

³ For example, Granite State had disabled an existing pressure relieving valve (PRV) located at the delivery point to one of Northern's large commercial customers that subsequently experienced an over-pressuring event. Had Granite had the PRV in operation, the distribution system serving Northern's customer would likely not have experienced an over-pressuring as the valve would have mitigated the system malfunction.

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and Granite decided to modify their arrangements, to clarify and conform the lines of responsibility to the requirements of the federal code and our Rules.⁴

Northern withdrew its filing in June 2007 to allow it additional time to revise and clarify terms of the arrangement in the written agreement. The revised agreement's delineation of facilities over which each has responsibility is now clearer, and a number of ambiguous or misleading terms or provisions in the agreement have been eliminated. Having these responsibilities clearly established will be advantageous to Northern's awareness of its responsibilities, as well as its ability to control and adequately maintain critical pressure regulation facilities that protect its system. This agreement will also eliminate jurisdictional confusion that arises when safety violations occur. Accordingly, Staff recommends that we approve the agreement.

We find that this agreement is not adverse to the public interest and, in fact, should assist Northern increase its diligence in managing its system pressure regulation. We also see no problem with Northern operating and maintaining facilities owned by Granite over the long term, should it decide not to purchase them, so long as issues do not arise that impede Northern's ability to operate and maintain its system adequately and at reasonable cost. However, we request that Northern advise us on its decision within 6 months. Finally, we direct Northern and Granite to determine what amount of costs Granite receives in rates charged to Northern that it should now pay to Northern, pursuant to our Chapter 820 requirements, for taking over the operation and maintenance of its meter and regulation facilities during the remaining term of their negotiated rate agreement, which is due to expire in 2008. Northern should report to us on this no later than 90 days from the date of this Order.

Dated at Augusta, Maine this 17th day of October, 2007.

BY ORDER OF THE COMMISSION

Karen Geraghty
Administrative Director

COMMISSIONERS VOTING FOR: Adams
 Reishus
 Vafiades

⁴ We note that ownership of the facilities is not determinative of responsibility for operation and maintenance under federal regulations. Northern could contract with Granite for operation and maintenance of the pressure regulation equipment, but cannot relieve itself of the ultimate responsibility under the code. Northern has decided to take over the manual operation and maintenance of all regulation stations on its system so that it will have full control of them.



Corporate Services

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Westborough, Massachusetts 01581
(508) 836-7394
(508) 836-7039 (facsimile)
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November 2, 2007

Patricia M. French
Lead Counsel

VIA E-FILE AND OVERNIGHT COURIER

Ms. Karen Geraghty
Administrative Director
Maine Public Utilities Commission
242 State Street, 18 State House Station
Augusta, Maine 04333-0018

Re: Northern Utilities, Inc., Docket No. 2007-119

Dear Ms. Geraghty:

Enclosed for compliance purposes please find attached as Northern-Compliance-1, a copy of the executed agreement between Northern Utilities, Inc. and Granite State Gas Transmission, Inc., consistent with the Commission's order in the above-referenced docket.

If you have any questions regarding this filing, please do not hesitate to contact me at 508-836-7394.

Very truly yours,

Patricia M. French

Enclosures

cc: Carol MacLennan, Hearing Examiner
Richard Davies, Office of Public Advocate

OPERATING AND MAINTENANCE AGREEMENT

THIS OPERATING AND MAINTENANCE AGREEMENT ("Agreement") is made effective this 1st day of Nov., 2007, by and between GRANITE STATE GAS TRANSMISSION, INC., a New Hampshire corporation with an office in Portsmouth New Hampshire ("Granite") and NORTHERN UTILITIES, INC., a New Hampshire corporation with an office in Westborough, Massachusetts ("Northern"). Granite and Northern may be referred to herein individually as a "Party" or collectively as "Parties".

WHEREAS, Granite owns and operates an interstate natural gas transmission system, a portion of which is located in Maine and a portion of which is located in New Hampshire; and

WHEREAS, Granite and Northern desire to identify the areas of responsibility for the operation and maintenance of certain measurement and pressure regulation facilities located within the States of Maine and New Hampshire, subject to the terms and conditions contained herein.

NOW, THEREFORE, in consideration of the foregoing and the mutual promises and agreements described herein, Granite and Northern hereby agree as follows:

I. Term. This Agreement shall expire with respect to each of the measurement and regulator stations identified on Exhibit "A" attached hereto and made a part hereof by this reference (which stations are collectively referred to herein as the "M&R Stations", and are individually referred to herein as the "M&R Station") on the earlier of either (i) the expiration and/or termination of authorized tariff agreements, as such tariffs may be amended or superseded from time to time, regarding the delivery of gas by authorized shipping entities to such M&R Station, or (ii) the date on and after which Granite is authorized by the Federal Energy Regulatory Commission, pursuant to §7(b) of the federal Natural Gas Act (15 U.S.C. §717 et seq.) to abandon all service at such M&R Station; provided, however, that this Agreement may be terminated by either party by giving written notice of termination to the other party at least 90 days in advance of the effective date of the termination. Notwithstanding, if gas ceases permanently to be moved physically through the regulator stations, the purpose of the agreement will deemed to be frustrated and either party may declare it void and without further effect, subject to final payments under reasonable terms to be negotiated by the Parties in that event.

II. General Operating and Maintenance Duties. Each Party shall perform the specific areas of its respective responsibilities at the M&R Stations, as more fully set forth in this Agreement. A summary of the specific responsibilities of Granite and Northern hereunder is shown in Exhibit "B" attached hereto and made a part hereof by this reference.

III. Contractors. Either Party may meet its obligations hereunder through the use of any combination of employees, agents, officers, affiliates or contractors; provided, however, that the respective obligations of Granite and Northern are non-delegable and that the use of such employees, agents, officers, affiliates or contractors shall not diminish the respective obligations of either Party. Wherever the terms "Granite" and/or "Northern" are used in this Agreement, those terms shall include any employees, agents, officers, affiliates or contractors engaged by either Party to discharge its obligations hereunder.

IV. Assumption of Risk. Northern and Granite shall assume all risks, latent and patent, which shall arise in connection with their respective responsibilities and shall take all necessary and reasonable precautions to prevent injury or damage to persons or property, including without limitation other pipelines, that may be caused directly or indirectly by the operation and maintenance of that portion of the particular M&R Station for which Northern or Granite, as the case may be, is responsible. Nothing, however, in the Agreement shall create rights in a third person.

V. Granite's Responsibilities. Throughout the term of this Agreement, Granite agrees to:

1. Operate and maintain as the United States Department of Transportation operator, in compliance with C.F.R. Title 49, Parts 192 and 199, as may be amended from time to time, all piping facilities from Granite's interstate natural gas transmission pipeline up to, and including, the first above-ground welds or the first above-ground valve, as the case may be, downstream of the main line tap at each of the M&R Stations, excluding gas heating equipment and associated piping and excluding also the inlet filter assembly for which Northern is responsible as further described in Exhibit "B" #12. The point that demarcates the limits of Granite's responsibility at: (a) each M&R Station located in Maine is more particularly designated and shown in the photograph(s) of the pertinent facility attached hereto as Exhibit "C" and made a part hereof by this reference; and (b) each M&R Station located in New Hampshire is more particularly designated and shown in the photograph(s) of the pertinent facility attached hereto as Exhibit "D" and made a part hereof by this reference.
2. Assume full responsibility for corrosion control on the facilities operated and maintained by Granite pursuant hereto.
 - a. The parties agree that the separation of the Granite and Northern cathodic protection systems is already complete primarily because it would have been a typical practice to electrically separate these systems at the time of initial construction. There may be some unavoidable overlap where the demarcation points are welded and where the first insulation point is further down on Northern's facilities. The parties expect that

overlap to be minimal and agree that it would be costly and impractical to separate the systems any further. Northern will therefore be responsible for cathodic protection on the facilities it maintains and operates under this agreement and Granite is responsible for cathodic protection, as a general matter, to the first insulation point. The parties commit to work cooperatively to effectuate this provision to ensure system safety and integrity.

3. Operate, maintain, promptly repair and/or replace equipment and facilities under its responsibility so as not to adversely affect Northern's distribution system or delivery of natural gas to Northern.
4. Limit its access as necessary to, and the operation of, those facilities that are to be operated and maintained by Granite. In common use areas, Granite shall exercise due care to avoid obstructing Northern's access to its facilities.
5. Indemnify, hold harmless and release Northern, its officers, employees, agents, and affiliates from and against all liabilities or causes of action, claims, demands, suits, damages, judgments, fees, fines, penalties, costs and expenses arising from or related to:
 - (a) any injury to or death of any person, any damage to property or any losses of any kind, resulting from or caused by the negligence or willful misconduct of Granite in carrying out its responsibilities under this Agreement, except to the extent and in the proportion that such injury, death, damage or loss is caused by the negligence or willful misconduct of Northern;
 - (b) any investigation, suit, administrative action or other event or proceeding that may result from Granite's actions or inactions as such may be deemed directly related to the April 5, 2007 incident at the Moody Street regulator station in Saco, Maine and the September 15, 2007 incident at the Blueberry Road regulator station in Westbrook, Maine; and
 - (c) Granite's past activities at any M&R Station, including without limitation that certain suit now pending in the Circuit Court of Rockingham County, New Hampshire, styled Carol Freeman and Norman Freeman, Sr., Trustees v. Granite Transmission, Inc., and designated as action no. 06-E-0621.
6. Comply with all applicable federal, state and local laws, rules and regulations in the performance of Granite's obligations and responsibilities under this Agreement and in the exercise of Granite's rights hereunder.

7. Comply with all valid and applicable federal, state and local laws, ordinances, rules, regulations and orders pertaining to the generation, transportation, storage and disposal of toxic and/or hazardous substances and/or wastes with respect to the specific items which Granite operates, maintains, or owns or over which Granite exercises control. Granite agrees to indemnify and hold harmless Northern from and against any loss, injury, liability, damage to persons or property, or fines, penalties or compliance orders issued by any governmental agency or any other party relating to pollution or protection of the environment including without limitation, laws and regulations relating to emissions, discharges, releases or threatened releases of chemicals, pollutants, contaminants, waste petroleum, toxic substances, hazardous substances as that term is defined in the Federal Comprehensive Environmental Response Compensation Liability Act ("CERCLA"), and solid waste as that term is defined in the Federal Resource Conservation Recovery Act ("RCRA") occurring on said property due to the acts or omissions of Granite or its subcontractors, except to the extent and in the proportion that such emission, discharge, release or threatened release is caused by the negligence or willful misconduct of Northern, its subcontractors, or any third party under Northern's control.

VI. Northern Responsibilities. Throughout the term of this Agreement, Northern agrees to:

1. Operate and maintain as the responsible operator in compliance with C.F.R. Title 49, Parts 192 and 199, as may be amended from time to time, and in accordance with all appropriate state and local laws, codes and regulations, all facilities starting from the first above-ground welds or the first above-ground valve, as the case may be, downstream of the main line tap at each M&R Station, including gas heating equipment and associated piping and including also the inlet filter assembly for which Northern is responsible as further described in Exhibit "B" No. 12. These limits are more particularly shown in Exhibit "C" with respect to M&R Stations located in Maine, and in Exhibit "D" with respect to M&R Stations located in New Hampshire.
2. Assume full responsibility for corrosion control of those facilities operated and maintained by Northern pursuant hereto.
 - a. The parties agree that the separation of the Granite and Northern cathodic protection systems is already complete primarily because it would have been a typical practice to electrically separate these systems at the time of initial construction. There may be some unavoidable overlap where the demarcation points are welded and where the first insulation point is further down on Northern's facilities. The parties expect that overlap to be minimal and agree that it would be costly and

impractical to separate the systems any further. Northern will therefore be responsible for cathodic protection on the facilities it maintains and operates under this agreement and Granite is responsible for cathodic protection, as a general matter, to the first insulation point. The parties commit to work cooperatively to effectuate this provision to ensure system safety and integrity.

3. Operate, maintain, and assume full responsibility for gas odorant equipment, if any, associated with each M&R Station, as well as the appurtenances necessary to operate said gas odorant equipment.
4. Limit its access as necessary to, and the operation of, those facilities that are to be operated and maintained by Northern. In common use areas, Northern shall exercise due care to avoid obstructing Granite's access to its facilities.
5. Operate, maintain, promptly repair and/or replace equipment and facilities under its responsibility so as not to adversely affect Granite's M&R station facilities or the operation thereof.
6. Indemnify, hold harmless and release Granite, its officers, employees, agents, and affiliates from and against all liabilities, or causes of action, claims, demands, suits, damages, judgments, fees, fines, penalties, costs and expenses arising from or related to:
 - (a) any injury to or death of any person, any damage to property or any losses of any kind resulting from or caused by the negligence or willful misconduct of Northern in carrying out its responsibilities under this Agreement, except to the extent and in the proportion that such injury, death, damage or loss is caused by the negligence or willful misconduct of Granite;
 - (b) any investigation, suit, administrative action or other event or proceeding that may result from Northern's actions or inactions as such may be deemed directly related to the April 5, 2007 incident at the Moody Street regulator station in Saco, Maine and the September 15, 2007 incident at the Blueberry Road regulator station in Westbrook, Maine; and
 - (c) Northern's past activities at any M&R Station.
7. Comply with all applicable federal, state and local laws, rules and regulations in the performance of Northern's obligations and responsibilities under this Agreement and in the exercise of Northern's rights hereunder.

8. Comply with all valid and applicable federal, state and local laws, ordinances, rules, regulations and orders pertaining to the generation, transportation, storage and disposal of toxic and/or hazardous substances and/or wastes with respect to the specific items which Northern operates, maintains, or owns or for which Northern exercises control. Northern agrees to indemnify and hold harmless Granite from and against any loss, injury, liability, damage to persons or property, or fines, penalties or compliance orders issued by any governmental agency or any other party relating to pollution or protection of the environment including without limitation, laws and regulations relating to emissions, discharges, releases or threatened releases of chemicals, pollutants, contaminants, waste petroleum, toxic substances, hazardous substances as that term is defined in the Federal Comprehensive Environmental Response Compensation Liability Act ("CERCLA"), and solid waste as that term is defined in the Federal Resource Conservation Recovery Act ("RCRA") occurring on said property due to the acts or omissions of Northern or its subcontractors, except to the extent and in the proportion that such emission, discharge, release or threatened release is caused by the negligence or willful misconduct of Granite, its subcontractors, or any third party under Granite's control.
9. Maintain access to the facilities shared by Northern and Granite, including the access road or driveway that runs from each M&R Station to the nearest public roadway. This maintenance shall include, but shall not be limited to, any reasonably required snow removal. Northern will also be responsible for maintaining the M&R Station facility grounds, including, but not limited to, reasonable vegetation control. The costs of maintenance under this section shall be shared equally with Granite based upon on actual cost incurred.

VII. Mutual Obligations.

1. Northern and Granite acknowledge that this Agreement is subject to the jurisdiction of various applicable state and federal regulatory authorities. To that end, either Northern or Granite may file this Agreement with any regulatory authority having appropriate jurisdiction over the subject matter hereof.

Each of the Parties will report to the other Party in writing at the end of each successive calendar quarter with respect to the specific actions taken during that calendar quarter to fulfill its responsibilities under this Agreement. Each of the Parties will: (a) immediately notify the other Party of any "incident" (as defined by 49 C.F.R. § 191.3) that occurs at any M&R Station; and (b) also immediately report to the other Party any safety-related condition that is observed at any M&R Station, including without limitation those safety-related conditions specified in 49 C.F.R. § 191.23

and those safety-related conditions which would require immediate repair or response, regardless of whether the Party observing the condition is responsible to perform that maintenance or repair at issue pursuant hereto.

3. Northern and Granite will mutually agree upon a schedule to permit Northern or its assigns to witness the inspection and calibration of Granite's measurement equipment within a reasonable period at the commencement of this agreement and at the termination of this agreement. Unless emergency circumstances exist, a forty-eight (48) hour notice shall be given. The Parties agree that, notwithstanding any other provision, Northern may witness the inspection and calibration of Granite's measurement equipment periodically and upon reasonable request, and that Granite will make reasonable accommodation therefor.
4. In the event that either Party shall fail to perform its obligations and responsibilities hereunder and such failure shall continue for a period of ten (10) days after receipt of written notice from the other Party, setting forth the nature of such failure, then the other Party shall have the right, but not the obligation, to remedy such failure at the cost and expense of the non-performing Party; provided that, if the Party receiving such a notice commences efforts to cure the non-performance within such ten-day (10-day) period and thereafter continues to diligently pursue those efforts but is unable with due diligence to cure the non-performance within said ten-day (10-day) period, then the other Party shall allow the Party obligated to perform a reasonable period of time, not to exceed thirty (30) days from the date of receipt of notice of non-performance, in which to cure the specified non-performance, before taking steps to remedy such failure of performance.
5. In the event of a conflict among this Agreement, Exhibit "A", Exhibit "B" and/or Exhibit "C" or "D" (as applicable), the following order of priority shall prevail: (a) with respect to any conflict involving the physical demarcation of responsibility, first, Exhibit "C" or "D" (as applicable), second, Exhibit "A", and third, the body of the Agreement; and (b) with respect to any other conflict, first, the Agreement, second, Exhibit "B", third, Exhibit "C" or "D" (as applicable).

Except as herein otherwise provided, all notices required or permitted to be given hereunder shall be in writing and delivered by (i) hand, (ii) mailed, postage prepaid, by registered or certified mail, return receipt requested, addressed as follows, (iii) reputable overnight courier which provides evidence of delivery or refusal, addressed as follows, (iv) facsimile to the following number, with the transmitting party retaining confirmation of receipt, or (v) e-mail to the following e-mail address, with the sending party retaining confirmation of receipt:

If to Northern:

Attn: Danny Cote
300 Friberg Parkway
Westborough, MA 01581
724-416-6334
724-416-6383 (facsimile)
dcote@nisource.com (e-mail address)

If to Granite State:

Attn: Victor Gaglio
1700 Maccorkle Ave. SE
Charleston, WV 25314
304-357-2678
304-357-2644 (facsimile)
vgaglio@nisource.com (e-mail address)

or in the case of either Party to such other address, facsimile number or e-mail address as shall be designated by written notice given to the other Party in accordance with this paragraph. The effective date of any notice issued pursuant to this Agreement shall be as of the addressee's receipt or refusal of receipt of such notice.

In the event of emergency requiring immediate response, verbal notice by telephone shall be acceptable, provided that (i) any such notice is given live, person-to-person, and not by leaving voice mail messages, and (ii) is promptly followed by written notice directed as required herein above.

7. Northern and Granite shall carry the types and amounts of insurance, through a combination of self-insured retention and insurance policies, which are consistent with that maintained by other entities similar to Granite and Northern. Each Party's insurers shall waive their rights of subrogation against the other Party.
8. Northern and Granite each represent that this Agreement is in full force and effect upon execution, has been duly executed as delivered by their authorized representative, and constitutes the legal, valid and binding obligations of Granite and Northern, subject to lawful limitations imposed upon its enforceability (a) as a result of Bankruptcy, insolvency, reorganization or any other similar laws affecting the enforcement of creditor's rights severally, (b) by the final, non-appealable action of a regulatory agency having jurisdiction over the subject matter hereof, including without limitation any approval that must be obtained from any

such regulatory agency as a pre-condition to its validity or enforceability, and (c) general equitable principles.

9. Each Party warrants to provide support for this agreement in good faith consistent with the law and regulations to which each is subject.
10. This Agreement shall (a) with respect to those M&R Stations that are located in the State of Maine, be governed by and construed in accordance with the laws of the State of Maine, and (b) with respect to those M&R Stations that are located in the State of New Hampshire, be governed and construed in accordance with the laws of the State of New Hampshire. Further, this Agreement may only be amended by written agreement signed by both Parties. This Agreement represents the entire understanding of the Parties with respect to the subject matter hereof. No parole evidence such as, but not limited to, oral representations and statements, or the course of conduct between Granite and Northern, shall operate to modify, supersede or add to the terms hereof. The Parties acknowledge that regulatory approval must be obtained for any material amendments to this agreement, other than typographical errors or changes in business names of the existing Parties. Any assignment of this agreement, even if otherwise agreed to by the Parties, would be considered a material amendment.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly hereunto authorized representatives as of the date and year first above written.

GRANITE STATE GAS TRANSMISSION, INC.

By: Victor Anglin

Title: SE VP

NORTHERN UTILITIES, INC.

By: Danny G. Cote

Title: GENERAL MANAGER

Attachments:

- Exhibit "A": Schedule of M&R Stations
- Exhibit "B": Responsibility Matrix
- Exhibit "C": Photos Showing Physical Limits of Responsibility at M&R Stations Located in the State of Maine
- Exhibit "D": Photos Showing Physical Limits of Responsibility at M&R Stations Located in New Hampshire

EXHIBIT A

G.S.G.T. STATIONS - SUPPLYING NORTHERN UTILITIES INC.					
Station Name	Location	State	Demarcation Location	Measuring Station #	Regulating Station #
Forrest Street	Plaistow	NH	Inlet Supply to Station Off of the Bridle Set (4")	MS637407	RS637407
Sweet Hill Road	Plaistow	NH	1st Weld Inside Station	MS637408	RS637408
East Kingston Station	East Kingston	NH	1st Weld Inside Station	MS637409	RS637409
Exeter West	Exeter	NH	1st Weld Inside Station	MS637410	RS637410
Newfields Road 2"	Exeter	NH	1st Weld at Inlet to Heater	N/A	RS637411
Newfields Road 3"	Exeter	NH	1st Weld at Inlet to Heater	MS637412	RS637412
Route 151	Greenland	NH	1st Weld Inside Station	MS637413	RS637413
Ocean Road	Greenland	NH	Valve Outside Station/Outside Fence	MS637414	RS637414
Panaway	Portsmouth	NH	Outlet Flange on Inlet Valve to Station/Outside of Building	MS637415	RS637415
Portsmouth - Lateral	Portsmouth	NH	1st Weld Inside Station	MS637416	N/A
Pease	Portsmouth	NH	Inlet Flanges to Station & By-pass Valves	MS637417	RS637417
Gosling Road	Newington	NH	1st Weld Inside Station	MS637418	RS637418
Newington	Newington	NH	Weld on 2" Side of Concentric Reducer at Station Inlet	MS637419	RS637419
Dover Point	Dover	NH	1st Weld Inside Station on 4" Side of Concentric Reducer	MS637420	RS637420
Bellamy Road	Dover	NH	Top of Inlet Valve/Inside of Station	MS637421	RS637421
Varney Brook	Dover	NH	Top Flange of Inlet Valve	MS637422	N/A
Debbie Lane	Eliot	ME	Utilize Demarcation Point from M&N System Piping	MS637433	RS637433
Marshwood High School	Eliot	ME	1st Weld Inside Station	MS637434	RS637434
Northeast Mill Works	N. Berwick	ME	Top Flange of Inlet Valve to Station	N/A	RS637435
Hussey Seating	N. Berwick	ME	Top Flange of Inlet Valve to Station	MS637436	RS637436
Pratt & Whitney	N. Berwick	ME	Insulating Flange at Station Inlet	MS637437	RS637437
Rte-109	Wells	ME	1st Weld Inside Station	MS637438	RS637438
Twine Mill	Kennebunk	ME	2 Welds on Lower Flanges of Inlet Valves	MS637439	RS637439
Biddeford Industrial Park	Biddeford	ME	Bottom Weld of Inlet Valve to Station	MS637440	RS637440
209 South Street	Biddeford	ME	Inlet Thread to Inlet Valve in Tub	N/A	RS637442
Railroad Ave	Biddeford	ME	Inlet Weld on 4" x 2" Tee	MS637443	RS637443
North St - Saco Brick	Saco	ME	1st Weld at Inlet to Station	MS637444	RS637444
Moody Street	Saco	ME	2 Welds on Lower Flanges of Inlet Valves	MS637445	RS637445
Cascade Road	Old Orchard	ME	1st Weld at Inlet to Station	MS637446	RS637446
Scarborough Ind Pk	Scarborough	ME	1st Weld at Inlet to Station	MS637447	RS637447
Eastern Road	Scarborough	ME	Weld on Inlet Weld Neck Flange	MS637448	RS637448
Roundwood	Scarborough	ME	Inlet 2" Weld on 4" x 2" Weld Tee	MS637449	RS637449
Southborough	Scarborough	ME	Inlet Weld on 2" Side of 4" x 2" Tee	MS637450	RS637450
Payne Road	S. Portland	ME	1st Weld Inside Station	MS637451	RS637451
Congress Street	Portland	ME	Inlet Weld on 4" Elbow	MS637452	RS637452
Blueberry Road	Portland	ME	Inlet Weld at Station	MS637453	RS637453
Larrabee Road	Westbrook	ME	Inlet Weld at Station	MS637455	RS637454

EXHIBIT "B" RESPONSIBILITY MATRIX

<u>Facilities/Equipment</u>	<u>Operation, Control & Minor Maintenance Responsibility</u>	<u>Ownership</u>
1. Tap Valves and Piping from Granite' Pipeline to measurement runs excluding the horizontal Gas filter and bypass piping.	GS	GS
2. Measurement Station; including Meters, Runs, Risers, Piping, Valves & Instrumentation*	NU	GS
3. Cathodic Protection System & Grounding System for Facilities Operated and maintained by Granite	GS	GS
4. Granite' Data Acquisition and Electronic Measurement Equipment	GS	GS
5. Regulator Station: including Pressure Regulators, Over Pressure Protection, Valves, Heaters, Piping and Instrumentation, electric service.	NU	GS
6. Cathodic Protection System & Grounding System for Facilities Operated and Maintained by Northern (Agreement – VI (2))	NU	NU
7. Northern Gas Odorant Equipment	NU	NU
8. Northern Data Acquisition and Electronic Measurement Equipment	NU	NU
9. Land on which Measurement and Regulation Facility is Located	NU	GS
10. Buildings: Data Building Measurement and Regulator Bldg.	NU	GS
11. Security (fences;locks)	NU	GS

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| 12. Filter Assembly including
Inlet, outlet, bypass valves
and filter vessel. | NU | GS |
| 13. Inlet insulating flanges,
Piping and check valve. | NU | GS |

GS = Granite State Gas Transmission, Inc.; NU = Northern Utilities, Inc.

* Please note, this item does not apply to the Debbie Lane M&R Station located at Eliot, Maine, because the meter at that location is owned and operated by Maritime & Northeast Pipelines, L.L.C.

EXHIBIT "C"
PHOTOS SHOWING PHYSICAL LIMITS OF RESPONSIBILITY
AT M&R STATIONS LOCATED IN STATE OF MAINE

EXHIBIT "D"
PHOTOS SHOWING PHYSICAL LIMITS OF RESPONSIBILITY
AT M&R STATIONS LOCATED IN STATE OF NEW HAMPSHIRE