

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

ORIGINAL	
N.H.P.U.C. Case No.	DG 11-040
Exhibit No.	# 2
Witness	Panel 1
DO NOT REMOVE FROM FILE	

National Grid USA, National Grid NE Holdings 2 LLC,
Granite State Electric Company d/b/a National Grid,
EnergyNorth Natural Gas, Inc. d/b/a National Grid NH,

- and -

Liberty Energy Utilities Co. and Liberty Energy Utilities (New Hampshire) Corp.

Docket No. DG 11-040

Joint Petition for Authority to Transfer Ownership of Granite State Electric and
EnergyNorth Natural Gas, Inc. to Liberty Energy Utilities (New Hampshire) Corp.

SETTLEMENT AGREEMENT – JOINT PETITION
FOR AUTHORITY TO TRANSFER OWNERSHIP

April 10, 2012



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This Settlement Agreement (“Agreement”) is entered into as of the ___ day of April, 2012, by and among National Grid USA, National Grid NE Holdings 2 LLC (“National Grid NE”) (National Grid USA and National Grid NE are collectively referred to hereinafter as “National Grid”), Granite State Electric Company d/b/a National Grid (“Granite State”), EnergyNorth Natural Gas, Inc. d/b/a National Grid NH (“EnergyNorth”), Liberty Energy Utilities Co. (“Liberty Energy”), Liberty Energy Utilities (New Hampshire) Corp. (“Liberty Energy NH”), the staff (“Staff”) of the New Hampshire Public Utilities Commission (the “Commission”), the Office of Consumer Advocate (“OCA”), Pamela Locke, The Way Home, United Steel Workers of America Local 12012-3 (“USWA”), International Brotherhood of Electrical Workers Local 326 (“IBEW”), Granite State Hydropower Association (“GSHA”), and New Hampshire Community Action Association (“NHCAA”). The foregoing are hereinafter referred to collectively as the “Settling Parties and Staff.”

I. SUMMARY

This Agreement resolves all issues in the case and constitutes the recommendations by the Settling Parties and Staff for the Commission's approval of:

- (1) The transfer of ownership of Granite State and EnergyNorth (collectively, "the Companies") along with other specified conditions;
- (2) An Agreement for Granite State that, among other things, includes certain commitments regarding its next base rate case, including a commitment not to seek new distribution rates with a proposed effective date that is sooner than January 1, 2013, and certain commitments relating to information technology, customer service and other operational matters;
- (3) An Agreement for EnergyNorth that, among other things, includes a commitment that the test year for its first base rate case after the Closing Date (as defined in footnote 6 in Section V.C.1.a below) will end no sooner than the first to occur of (i) 270 days after seventy percent of the total cost of Transition Services (as defined in Section V.E.1 below) provided under the EnergyNorth Transition Service Agreement (as defined in Section II.B.1 below) are paid or (ii) three years from the date of closing; a plan that provides for the continued replacement of cast iron and bare steel pipe in EnergyNorth's system; and certain commitments relating to information technology, customer service and other operational matters; and
- (4) Authorization for Granite State and EnergyNorth to issue new long term debt instruments in order to recapitalize both companies in connection with their acquisition by Liberty Energy NH.

II. BACKGROUND REGARDING PARTIES TO TRANSACTION AND PROPOSED TRANSFER OF CONTROL OF UTILITIES

A. Joint Petitioners and Related Entities

Algonquin Power & Utilities Corp. ("Algonquin") is a publicly traded corporation that is traded on the Toronto Stock Exchange and is incorporated under the laws of Ontario, Canada, with a principal place of business in Oakville, Ontario. Algonquin has two business units: (i) a power generation unit that includes forty-five renewable power generating facilities and nine high-efficiency thermal generating facilities located in six U.S. states and Canada, and (ii) a utility services unit that owns and operates twenty-two regulated utilities located in five states that

provide retail water, sewer and electric utility service. Algonquin has been doing business in New Hampshire since 1998 when its predecessor entity acquired the first of its eight New Hampshire hydroelectric facilities.

Algonquin is one of the largest renewable power companies in Canada. Algonquin owns and operates an approximately \$1.1 billion (U.S.) portfolio of renewable power electric generation and utility operations across North America. As of the date of this Agreement, over fifty percent of Algonquin's revenues are generated through its U.S.-based operations. Algonquin acquired its first regulated utility operations in 2001 and since then has acquired twenty-one different water and waste water utilities and one electric utility serving a total of approximately 125,000 customers in the United States.

Liberty Utilities Co. ("Liberty Utilities") is a Delaware corporation and conducts the U.S. regulated utility business of Algonquin.¹ In addition to the acquisition of Granite State and EnergyNorth, Liberty Utilities, through its subsidiaries, is in the process of acquiring gas utilities serving 83,000 customers in three states. Liberty Energy is a Delaware corporation and a wholly owned subsidiary of Liberty Utilities and an indirect subsidiary of Algonquin. Liberty Energy NH is a Delaware corporation that is wholly and directly owned by Liberty Energy. Liberty Energy NH was formed for the purpose of acquiring ownership of the stock of Granite State and EnergyNorth.

National Grid USA is a public utility holding company incorporated in the state of Delaware. It is an indirect, wholly-owned subsidiary of National Grid plc, the parent holding company incorporated in England and Wales. National Grid plc's United States business is conducted through National Grid USA. National Grid USA, in turn, provides electric and natural

¹ Attachment A to this Agreement is an organizational chart showing the Liberty Utilities Family of Companies.

gas service to customers in New England and New York through a number of indirectly owned subsidiaries, including Granite State and EnergyNorth in New Hampshire.

Granite State is a New Hampshire corporation and a public utility as defined in RSA 362:2. It provides retail electric service to approximately 43,000 customers in 21 communities in southern and western New Hampshire. Granite State is directly and wholly owned by National Grid USA, which acquired Granite State as the result of National Grid USA's merger with New England Electric System in 2000.

EnergyNorth is a New Hampshire corporation and a public utility as defined in RSA 362:2. It provides retail gas service to approximately 86,000 customers in 30 communities throughout southern and central New Hampshire and in Berlin, New Hampshire. EnergyNorth is wholly owned by National Grid NE, which itself is indirectly owned by National Grid USA. National Grid USA acquired EnergyNorth as the result of its merger with KeySpan Corporation in 2007.

B. Proposed Transaction

On December 8, 2010, National Grid USA, Liberty Energy, and certain of their respective affiliates entered into two stock purchase agreements, one for the sale and purchase of common stock of Granite State and one for EnergyNorth (collectively, the "Original Agreements"). On January 21, 2011, National Grid USA and Liberty Energy modified the Original Agreements in several limited respects by entering into amended and restated stock purchase agreements for both Granite State (the "GSE Amended and Restated Agreement") and EnergyNorth (the "ENGI Amended and Restated Agreement") (the GSE Amended and Restated Agreement and the ENGI Amended and Restated Agreement are hereinafter referred to collectively as the "Amended and Restated Agreements").

On February 16, 2011, Liberty Energy assigned its rights under the Amended and Restated Agreements to Liberty Energy NH, pursuant to which Liberty Energy NH will acquire the shares of common stock of Granite State and EnergyNorth.

On May 12, 2011, National Grid USA and Liberty Energy NH modified the Amended and Restated Agreements in certain limited respects by entering into letter agreements for both Granite State (the “GSE Letter Agreement”, which, together with the GSE Amended and Restated Agreement, is hereinafter referred to as the “GSE Purchase Agreement”) and EnergyNorth (the “ENGI Letter Agreement”, which, together with the ENGI Amended and Restated Agreement, is hereinafter referred to as the “ENGI Purchase Agreement”). (The GSE Purchase Agreement and the ENGI Purchase Agreement are hereinafter referred to collectively as the “Purchase Agreements”.) Specifically, the GSE Letter Agreement and the ENGI Letter Agreement extended the respective termination dates of the GSE Amended and Restated Agreement and the ENGI Amended and Restated Agreements to December 31, 2011 or, alternatively, June 30, 2012 if certain conditions of the closing were not yet fulfilled.²

Pursuant to the GSE Purchase Agreement, National Grid USA proposes to sell all of its Granite State shares to Liberty Energy NH (as assignee of Liberty Energy) for the aggregate purchase price of Eighty-Three Million Dollars (\$83,000,000) in cash, less the amount of certain existing indebtedness of Granite State, and further adjusted based on Granite State’s working capital, capital expenditures, and regulatory assets as of the date of closing.

Pursuant to the ENGI Purchase Agreement, National Grid NE proposes to sell and transfer all of its EnergyNorth shares to Liberty Energy NH (as assignee of Liberty Energy) for the

² Specifically, the GSE Letter Agreement and the ENGI Letter Agreement stipulate that, if required regulatory approvals had not become final orders by December 31, 2011, the termination dates of the Amended and Restated Agreements would be extended to June 30, 2012. Because certain required regulatory approvals, including those sought in this docket, had not been finalized as of December 31, 2011, the effective termination dates of the Amended and Restated Agreements is June 30, 2012.

aggregate purchase price of Two Hundred Two Million Dollars (\$202,000,000) in cash, adjusted based on EnergyNorth's working capital, environmental remediation costs, capital expenditures, and regulatory assets as of the date of closing.

The Purchase Agreements are each subject to several closing conditions, including obtaining requisite regulatory approvals. The proposed stock transfers are subject to the approval of the Commission, the Federal Energy Regulatory Commission ("FERC"), and the Federal Communications Commission ("FCC"). The stock transfers are also subject to review by the Federal Trade Commission ("FTC") under the Hart-Scott-Rodino Antitrust Improvements Act, and the Committee on Foreign Investment in the United States ("CFIUS") under the Exon-Florio provision of the Defense Production Act of 1950. To date, the proposed stock transfers have been approved by FERC, the FTC has granted early termination of the waiting period under the Hart-Scott-Rodino Antitrust improvements Act, the FCC has granted the license transfer approvals sought relative to Granite State and EnergyNorth, and CFIUS has issued closing letters indicating that there are no unresolved national security claims with respect to the transactions. The Purchase Agreements provide that they will terminate if the stock transfers are not consummated by or on June 30, 2012.

Upon consummation of the stock transfers, Algonquin will indirectly own, and Liberty Energy NH (as assignee of Liberty Energy) will directly own, Granite State and EnergyNorth.

1. Associated Agreements

In connection with the Purchase Agreements, Granite State and/or EnergyNorth will enter into certain agreements, to be effective as of the closing, with National Grid USA, or Algonquin, Liberty Utilities (Canada) Corp., Liberty Utilities, and Liberty Energy NH. Though the Joint

Petitioners (as defined in Section III below) do not seek Commission approval of these agreements, they are described generally below.

To support the operation of Granite State and EnergyNorth during the initial period following the stock transfer, National Grid USA will enter into Transition Service Agreements (collectively, the “TSAs” and individually a “TSA”) with Granite State and EnergyNorth, to become effective as of the closing.³ Under the TSAs, National Grid USA, either directly or through its affiliates, will provide various specified services to Granite State and EnergyNorth following the consummation of the stock transfers until Granite State and/or EnergyNorth notifies National Grid USA that the services provided under the respective TSAs are no longer needed. The TSAs provide for an estimated Transition Period (as defined in Section V.C.1.a below) for the each of the services, which represents the TSA parties’ good faith estimate of the time required to transition responsibility for providing each service from National Grid USA to Granite State and/or EnergyNorth, rather than terminating all services simultaneously. Unexecuted final revised versions of the TSAs are attached hereto as Attachment B. Executed copies will be filed with the Commission within 30 days of Closing.

Effective as of the closing, EnergyNorth and Granite State each will enter into Affiliate Services Agreements with Algonquin, Liberty Utilities (Canada) Corp., Liberty Utilities and Liberty Energy NH (collectively, for the purposes of this subsection, the “Service Companies”) for the provision of ongoing management, financial, and administrative services. In addition to establishing the services to be provided by each of the Service Companies to EnergyNorth and Granite State, the Affiliate Services Agreements govern, *inter alia*, charging and billing for such services. Copies of the proposed Affiliate Services Agreements are appended hereto as

³ Copies of the TSAs were attached to the Joint Petition (as defined in Section III below) filed with the Commission on March 4, 2011 seeking approval of the proposed transaction.

Attachment C. EnergyNorth and Granite State each will file with the Commission executed copies of the respective Affiliate Services Agreements within ten (10) days following execution of such agreements pursuant to RSA 366:3.

Effective as of the closing, National Grid USA will enter into a letter agreement with Liberty Energy NH (the “Records Transfer and Retention Agreement”) governing, *inter alia*, the transfer of certain records from National Grid USA to Liberty Energy NH and the retention of certain records not so transferred. An unexecuted final version of the Records Transfer and Retention Agreement is attached hereto as Attachment D. Copies of the executed agreement will be filed with the Commission within 30 days of Closing. Furthermore, Granite State, New England Power Company (“NEP”), a subsidiary of National Grid USA, and ISO New England, Inc. will enter into a site agreement (“Site Supplement”), effective as of the closing, governing access to, and the ongoing operation of, six electric substations where NEP and Granite State facilities are co-located. The Site Supplement is incorporated into a Local Service Agreement between NEP and Granite State for transmission service under Schedule 21 – NEP of Section II of the ISO-NE Transmission, Markets and Services Tariff. The Joint Petitioners provided a draft copy of the Site Supplement in a supplemental response to Staff technical session data request Staff TS 3-4. A copy of the final approved Site Supplement will be filed with the Commission within 30 days of Closing.

C. Other Requested Approvals

In addition to seeking the Commission’s authorization to transfer the stock of Granite State and EnergyNorth, the two utilities each seek the Commission’s authority pursuant to RSA 369:1 to issue a promissory note to Liberty Utilities. Specifically, Granite State seeks authority to issue a promissory note, substantially in the form submitted to the Commission on March 14, 2012, for up

to \$20 million. Similarly, EnergyNorth seeks authority to issue a promissory note, substantially in the form submitted to the Commission on March 14, 2012, to Liberty Utilities for up to \$90 million.

Granite State and EnergyNorth also seek the Commission's authority for each utility to record a regulatory asset or liability reflecting the fair market valuation as of the date of the stock transfers of their respective pension plans and other post-retirement employment benefits ("OPEBs") to be amortized over the average remaining service period of active employees expected to receive benefits under the plans.

III. PROCEDURAL BACKGROUND

On March 4, 2011, National Grid USA, National Grid NE, Granite State, EnergyNorth, Liberty Energy, and Liberty Energy NH (collectively, the "Joint Petitioners") filed with the Commission a Joint Petition for Authority to Transfer Ownership of Granite State Electric Company and EnergyNorth Natural Gas, Inc. to Liberty Energy Utilities (New Hampshire) Corp. and for Related Approvals (the "Joint Petition"). In support of the Joint Petition, the Joint Petitioners submitted the pre-filed direct testimony of the following witnesses: Ian Robertson; David Pasieka; Timothy F. Horan and David Pasieka (jointly); Andrew Ling, Gaetan Mercier, Daniel Saad, and Kurt Demmer (jointly); William Sherry, Gerald Tremblay and Robert C. Wood (jointly); Gerald Tremblay and David Bronicheski (jointly); and Peter Eichler. The OCA notified the Commission on March 10, 2011 that it would participate in the above-captioned docket on behalf of residential ratepayers consistent with RSA 363:28.

On March 29, 2011, the Commission issued an Order of Notice setting a prehearing conference and technical session for April 20, 2011, requiring that the Order of Notice be published in a newspaper of general circulation pursuant to Puc 203.12, and requiring intervenor

petitions by April 15, 2011. The Joint Petitioners provided notice of the hearing through the publication of the Order of Notice in the Union Leader on April 1, 2011. The following additional parties sought and were granted status as full intervenors: USWA, Pamela Locke, The Way Home, John Martino,⁴ GSHA, IBEW, the Business and Industry Association (“BIA”), and NHCAA⁵.

Following the prehearing conference held on April 20, 2011, Staff, the Joint Petitioners, OCA, and all other parties appearing at the prehearing conference met in a technical session and agreed upon a proposed schedule to govern the remainder of the proceeding, which the Staff submitted to the Commission by letter dated April 21, 2011. By secretarial letter dated April 25, 2011, the Commission approved the proposed procedural schedule. Since that date, the schedule has undergone various minor revisions.

On June 13 and 14 and September 7 and 8, 2011, technical sessions were held at the Commission to assist in the discovery process regarding the Joint Petitioners’ filing. In addition, the Joint Petitioners responded to multiple rounds of data requests from Staff, OCA, and the intervenors and supplemented their responses as additional information became available during the course of the proceeding.

On October 7, 2011, Staff submitted written testimony of Steven E. Mullen, Assistant Director of the Commission’s Electric Division, Stephen P. Frink, Assistant Director of the Commission’s Gas & Water Division, Amanda O. Noonan, Director of the Commission’s Consumer Affairs Division, Randall S. Knepper, Director of the Commission’s Safety Division, and Gorham, Gold, Greenwich & Associates, LLC (“G3 Associates”). On the same date, the OCA filed written testimony of consultant Scott J. Rubin, and on October 17, 2011, USWA submitted

⁴ Intervenor John Martino withdrew from these proceedings on February 3, 2012.

⁵ NHCAA filed a petition for late intervention on May 25, 2011, and the Commission granted the petition by secretarial letter on June 16, 2011.

the written testimony of Mr. Kevin Spottiswood. On October 13, November 9 and 10, and December 7 and 8, 2011, settlement discussions were held at the Commission. As a result of those discussions and subsequent communications, the Settling Parties and Staff have agreed to the terms of this Agreement. The Settling Parties and Staff recommend that the Commission approve this Agreement without modification.

IV. SCOPE OF AGREEMENT

This Agreement constitutes the recommendation of the Settling Parties and Staff with respect to the Commission's approval of the proposed transfer of ownership of EnergyNorth and Granite State to Liberty Energy NH, and related matters. The Settling Parties and Staff agree to this joint submission to the Commission as their proposed resolution of all issues in this docket.

This Agreement shall not be deemed an admission by any of the Settling Parties or Staff that any allegation or contention in these proceedings by the Settling Parties, Staff, or any other party to these proceedings, other than those specifically agreed to herein, is true and valid. This Agreement shall not be construed to represent any concession by any party hereto regarding positions previously taken in this docket. Nor shall this Agreement be deemed to foreclose any Settling Party or Staff from taking any position in the future in any subsequent proceedings, except to the extent that the matters agreed to herein specify a date or time period.

The Settling Parties and Staff agree that all direct testimony and supporting documentation should be admitted as full exhibits for purposes of consideration of this Agreement, and be given the weight the Commission deems appropriate. Agreement to admit all direct testimony without challenge does not constitute agreement by any of the Settling Parties or Staff that the written testimony filed by any other party or Staff is accurate or that the views of the witnesses submitting testimony on behalf of any other party or Staff should be given weight by the Commission.

Moreover, the admission into evidence of any witness's testimony or supporting documentation shall not be deemed in any respect an admission by any party to this Agreement that any allegation or contention in this proceeding is true or false, except that the sworn testimony of any witness shall constitute an admission by such witness. In addition, the resolution of any specific issue in this Agreement does not indicate the Settling Party's or Staff's agreement to such resolution for purposes of any future proceedings.

V. TERMS OF AGREEMENT

The Settling Parties and Staff agree, and therefore recommend to the Commission, that it issue an order as follows:

A. Approval of Stock Transfers

The Settling Parties and Staff agree that the stock transfers, subject to the additional terms and conditions set forth in this Agreement, are "lawful, proper and in the public interest" in accordance with RSA 374:33. The Settling Parties and Staff, therefore, agree that the Commission should authorize National Grid USA and National Grid NE to transfer the stock of Granite State and EnergyNorth, respectively, to Liberty Energy NH, as assignee of Liberty Energy, as contemplated by the Purchase Agreements.

B. Other Approvals Necessary for Implementing the Transfer of Ownership

1. Authority to Issue Promissory Notes

The Settling Parties and Staff agree that Granite State and EnergyNorth should be authorized to issue promissory notes for up to \$20 million and \$90 million, respectively. The Settling Parties and Staff further agree that issuance of the promissory notes is "consistent with the public good" in accordance with RSA 369:1.

2. Pension/OPEB Fair Value Accounting

Granite State and EnergyNorth shall each be authorized to record a regulatory asset or liability, as the case may be, equal to the amount necessary to adjust its financial statements to reflect the fair value of its pension and OPEBs as required by generally accepted accounting principles and pursuant to Statement of Financial Accounting Standards (SFAS) No. 141, *Business Combinations*. The exact amount of such pension and OPEB asset or liability and the offsetting regulatory asset or liability shall be determined as of the closing date of the acquisition of the utilities by Liberty Energy NH (as assignee of Liberty Energy).

C. Reporting

1. Reporting by the Companies

a. During the Transition Period, the Companies shall submit certain monthly and quarterly reports to Staff describing the status of transition activities and related costs. As used in this Agreement, the term “Transition Period” shall mean the period of time between the Closing Date⁶ (“Day 1”) and the completion of the last Transition Service under the TSAs other than the Transition Services specified on Attachment L.

b. Monthly reports, consistent with Section V.C.2 below, shall include the following information, separately for each of the Companies:

- i. Updated transition timetables;
- ii. Costs incurred under the TSAs to date;
- iii. Estimated costs for Transition Services over the remainder of the Transition Period;
- iv. The percentage of Transition Services completed, calculated pursuant to Section V.D.1.f of this Agreement; and

⁶ Closing Date is defined in Section 4.1 of the Purchase Agreements as the date and time at which the closing of the proposed transactions actually occurs.

- v. Information technology (“IT”) status reports that include forward looking projections regarding the status of implementation of the IT Plan. The term IT Plan and IT Migration Plan shall have the meanings given in Attachment E.
- vi. Updated structural organizational charts for the Companies.
- c. Quarterly reports shall include the following information:
 - i. Changes in the Algonquin cost allocation manual;
 - ii. Changes in the Companies’ IT Plan and IT Migration Plan, including updated copies of those sections of the plans affected by the change; and
 - iii. Financial forecasts, as developed in the ordinary course of business.

d. During the Transition Period, the President of Liberty Energy NH and the CEO of Algonquin will attend quarterly meetings with Staff and OCA to discuss the content of the monthly and quarterly reports.

e. If there are any material changes in the IT Plan in between quarterly reports, the Companies will provide Staff with an interim report outlining these changes as part of its monthly report described in paragraph b of this Section.

2. Reporting by National Grid and the Companies

a. During the Transition Period, National Grid and the Companies will provide a monthly written status report (“Monthly Status Report”) to Staff identifying, with respect to the prior month, the Transition Services in use by the Companies, changes to Transition Services required by either or both of the Companies, requests to terminate a Transition Service issued by either or both of the Companies, and confirmation that a Transition Service has been terminated by either or both of the Companies. Such Monthly Status Reports will be submitted within thirty (30) days from the end of the month reported on, and addressed to the attention of the Executive

Director of the Commission with a reference line to Docket No. DG 11-040 and the settlement item the report addresses, with copies to the OCA. Copies of the following shall be included in each Monthly Status Report:

- (i) Monthly statements including supporting detail as provided to Granite State and EnergyNorth by National Grid pursuant to the TSAs (“Monthly Statements”);
- (ii) A report identifying changes in Transition Services requested by Granite State and/or EnergyNorth during the prior month, including Service Transition Notices (as defined in the TSAs, Schedule A Section IV.4.a), Additional Transition Services (see the TSAs Schedule A Section III.I), and the disposition of any requested changes in services provisioned under the TSAs;
- (iii) A summary of any material disputes, claims, and adjustments of Monthly Statements in the prior calendar month;
- (iv) Copies of minutes of any meetings held between National Grid and Liberty Energy NH, EnergyNorth, or Granite State about Transition Services including complaint escalations (per TSAs Schedule A Section I.7);
- (v) When applicable, updated organization charts for National Grid, Liberty Energy NH, EnergyNorth, and/or Granite State transition personnel to reflect any changes in the prior month.

b. Service Transition Notices issued by the Companies in accordance with the TSAs and any corresponding confirmations issued by National Grid to effect the termination of a Transition Service shall be contemporaneously provided to Staff. In the event a Service Transition Notice is cancelled in accordance with the terms of the TSAs by either of the Companies or by National Grid, National Grid and the Companies will provide written certification to Staff of National Grid’s confirmation of the cancellation. Staff may request that National Grid and the Companies provide additional information concerning such cancellation.

c. To the extent that National Grid and the Companies agree to add any Transition Services as permitted under the TSAs, National Grid and the Companies will contemporaneously provide to Staff written notice of the added Transition Service with an estimate of associated costs.

d. To the extent that National Grid and Liberty Energy NH and/or the Companies make changes to key personnel affiliated with the implementation of the New Hampshire transactions, including the Service Representatives (as defined in the TSAs, Schedule A Section I.7(a)) identified in the TSAs, National Grid and the Companies will provide forthwith written notice of such changes to Staff.

D. Conditions Agreed to By Liberty Energy and Liberty Energy NH

1. Cost Recovery/Rate Case

a. The Companies shall not seek rate recovery for any transaction costs, which, as used herein refers to financing, legal and regulatory costs incurred in connection with the closing of the transaction; the acquisition premium; or transition costs, which as used herein refers to, temporary costs incurred to effect the transaction.

b. This Agreement shall not constitute an approval of Algonquin's cost allocation methodology. Algonquin's cost allocation methodology will be fully evaluated as part of Granite State's first base rate case after the Closing Date, including whether the Four Factor Utility Methodology allocation factors and weights (rate base/utility plant (50% weight), total customers (40%), non-labor expenses (5%), and labor (5%)) are appropriate. The Companies agree to meet with Staff within six (6) months of closing to discuss Algonquin's cost allocation methodology, and will invite the OCA to attend such meeting.

c. Granite State commits there will be no rate impact from any Internal Revenue Code Section 338(h)(10) election made in connection with the acquisition of Granite State by Liberty Energy NH, as assignee of Liberty Energy.

d. Granite State agrees that in its first base rate case after the Closing Date, it shall not seek rates with a proposed effective date (either as temporary rates or permanent rates)

that is sooner than January 1, 2013. As used in this Section, the “first base rate case” shall not include proceedings at the Commission to consider Vegetation Management Plan (“VMP”) or Reliability Enhancement Program (“REP”) filings or default energy service filings.

e. The Companies and National Grid agree to comply with the Records Transfer and Retention Agreement attached hereto as Attachment D.

f. EnergyNorth agrees to a Rate Case Stay-Out Period, defined as follows: the test year for its first base rate case after the Closing Date will end no sooner than the first to occur of (i) the third anniversary of the Closing Date or (ii) 270 days after the date on which seventy (70) percent of the cost of the transition services under the EnergyNorth TSA are paid, provided however, that if in any month during the 270 day period the percentage paid drops below seventy percent (70%), then the 270 days will be reset and start running again once the percentage paid reaches seventy percent (70%). As used in this Section, the “first base rate case” shall not include proceedings at the Commission to consider “Exogenous Event” filings (as defined in Section V.D.1.f.ii, below), Cost of Gas (“COG”) filings, Local Distribution Adjustment Charge (“LDAC”) filings, or Cast Iron/Bare Steel (“CIBS”) filings.

i. The EnergyNorth TSA services will be deemed to be seventy percent (70%) paid in the month in which seventy percent (70%) of the total estimated cost of the EnergyNorth TSAs have been paid. The total estimated cost of the EnergyNorth TSAs will be calculated by adding actual TSA payments to date and the estimated costs for Transition Services over the remainder of the Transition Period. The total estimated EnergyNorth TSA costs and timing of those costs are attached hereto as Attachment F, which will be updated and filed monthly in accordance with Section V.C.1.b above.

ii. During the Rate Case Stay-Out Period, EnergyNorth will be allowed to seek adjustment of distribution rates upward or downward resulting from Exogenous Events, as defined below.

1. For any of the events defined as a State Initiated Cost Change, Federally Initiated Cost Change, Regulatory Cost Reassignment, or Externally Imposed Accounting Rule Change, during the Rate Case Stay-Out Period, EnergyNorth will be allowed to seek adjustment of distribution rates upward or 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 all such events exceeds \$1,000,000 (Exogenous Events Rate Adjustment Threshold) in any calendar year beginning with 2012.

a. "State Initiated Cost Change" shall mean any externally imposed changes in state or local law or regulatory mandates governing income, revenue, sales, franchise, or property (including capital expenditures required to complete the provision of services required by such mandates) 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 distribution costs, revenue, or revenue requirement.

b. “Federally Initiated Cost Change” shall mean any externally imposed changes in the federal tax rates, laws, or regulations 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 distribution costs, revenue, or revenue requirement.

c. “Regulatory Cost Reassignment” shall mean the reassignment of costs and/or revenues to or away from the EnergyNorth’s distribution function by the Commission, FERC, or any other official agency having authority over such matters.

d. “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 EnergyNorth as of January 1, 2012.

2. No later than March 31 of each year during the Rate Case Stay-Out Period, EnergyNorth shall file with the Commission, Staff, and OCA a Certification of Exogenous Events for the prior calendar year. If, in the prior calendar year, EnergyNorth 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 Section V.D.1.f.ii, EnergyNorth 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, EnergyNorth shall certify that fact in its annual Certification of Exogenous Events. On or before June 1 of each year during the Rate Case Stay-Out Period, the Staff and the OCA may make a filing requesting an Exogenous Event rate decrease or contesting an Exogenous Event rate increase proposed by EnergyNorth. Any adjustments to revenue requirements for Exogenous Events: (1) shall be subject to review and approval as deemed necessary by the Commission; (2) shall be implemented for usage on and after July 1 of that year; and (3) shall be allocated among EnergyNorth's rate classes on a proportional basis based on total distribution revenue by class in effect at the time of the adjustment. Adjustments will be applied as equal percentage changes to each distribution rate component. 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.

iii. This Section does not prevent EnergyNorth from making COG, LDAC, or CIBS filings. *See* Condition #20 of Attachment J regarding CIBS.

g. In its first base rate case after the Closing Date, Granite State shall not seek recovery for rate case expenses that exceed \$300,000 ("Granite State Rate Case Expense Cap"). However, the costs associated with preparing a depreciation study shall be excluded from the calculation of the Granite State Rate Case Expense Cap. Granite State shall also use a Request For Proposal ("RFP") process to hire all third party consultants and outside legal counsel used in the preparation of its first base rate case. Third party consultants hired by Staff for the rate case, the costs of which are borne in whole or in part by Granite State, shall also be excluded from the calculation of the Granite State Rate Case Expense Cap. As used in this Section, the "first base

rate case” shall not include proceedings at the Commission to consider VMP or REP filings or default energy service filings.

h. In its first base rate case after the Closing Date, EnergyNorth shall not seek recovery for rate case expenses that exceed \$600,000 (“EnergyNorth Rate Case Expense Cap”). EnergyNorth shall use an RFP process to hire all third party consultants and outside legal counsel used in the preparation of its first base rate case. Third party consultants hired by Staff for the rate case, the costs of which are borne in whole or in part by EnergyNorth, shall be excluded from the EnergyNorth Rate Case Expense Cap. As used in this Section, the “first base rate case” shall not include proceedings at the Commission to consider “Exogenous Event” filings (as defined in Section V.D.1.f.ii above), COG filings, LDAC filings, or CIBS filings.

i. EnergyNorth agrees that it will not seek recovery in its cost-of-gas rate for unaccounted-for gas volumes that exceed 1.28% (“UFG Cap”). The UFG Cap will be applicable beginning with EnergyNorth’s September 2013 COG filing. The UFG Cap will continue until the earlier of (i) the completion of EnergyNorth’s first rate case, which shall be defined as the effective date of rates approved as a result of that case, or (ii) the filing of EnergyNorth’s September 2015 COG filing. For clarity, the UFG Cap shall apply to the recovery and reconciliation of costs incurred between July 1, 2012 and June 30, 2015.

2. Information Technology

a. The Companies agree to continue detailed planning to achieve full implementation of the proposed IT Migration Plan.

b. A fully detailed IT Plan and an associated initial IT Migration Plan, with associated project management milestones, testing provisions and proposed schedule to Day N (as defined in Section V.E.1 below), are defined and provided as Attachments G and H. Any changes

to the Final IT Migration Plan will be done via a defined Change Management Process, and the Companies will notify Commission Staff of any such change, including changes that affect the implementation time and/or IT budget, within fifteen (15) days of the issuance of the Change Management notice. A revised IT Migration Plan (“Final IT Migration Plan”) will be provided by August 1, 2012.

c. To ensure the security and integrity of the Liberty Utilities Family of Companies’⁷ server infrastructure and data network, a third party security assessment of the Liberty Utilities Family of Companies’ network security compliance with the International Organization for Standardization (“ISO”) Standard 2700-1 (“Baseline Assessment”) will be performed prior to the Closing Date. Any instances of non-compliance with ISO Standard 2700-1 identified by the Baseline Assessment will be resolved before implementation of the applicable element of the IT Plan. Management copies of: (a) the proposed security assessment process, (b) the findings of such an assessment, and (c) the associated actions taken by the parties to remediate the condition will be submitted to Staff under confidential cover pursuant to Commission rules Puc 203.08 and Puc 201.04 prior to the Closing Date.

d. At such time Staff and Liberty Energy NH mutually agree that the IT Migration Plan is fully implemented, the Liberty Utilities Family of Companies will conduct another third party security assessment and resolve any instances of non-compliance with ISO Standard 2700-1 identified by this second security assessment. Any additional hardware or software changes which affect Liberty Energy NH after the second assessment will be subject to the Liberty Utilities Family of Companies’ Control Processes for IT Changes which are included in the initial IT Migration Plan attached hereto as Attachment H. Similar to the requirements set

⁷ The Liberty Utilities Family of Companies refers to Liberty Utilities (Canada) Corp. and its subsidiaries.

forth above, management copies of: (a) the proposed security assessment process, (b) the findings of such an assessment, and (c) the associated actions taken by the parties to remediate the condition will be submitted to the Commission Staff under confidential cover pursuant to Puc 203.08 and Puc 201.04 within 30 days of completing the review.

e. A biennial security assessment of equivalent scope and scale to those envisioned in Sections V.D.2.c through d above will be conducted by the Liberty Utilities Family of Companies and the results submitted to the Commission commencing 12 months following completion of the review set out in V.D.2.d above.

f. All third party vendor contracts entered into after March 1, 2012, will contain a detailed description of the deliverables due under the contract and the cost for each deliverable.

Prior to releasing funds under all vendor contracts, each deliverable will be tested, where applicable, to ensure it meets the contractual requirements. During the transition period, Liberty must show that each deliverable has been thoroughly tested, where applicable, and meets the quality assurance and acceptance standards set forth in Section 4.6 of the IT Plan provided in Attachment G. During the Transition Period, the Companies will undertake annual reviews of all their third party vendors to ensure they are receiving effective and high quality service. Attestation statements to the effect that such testing and review have been done and found acceptable – signed by an authorized representative of the Companies – will be filed annually with Staff, and prior to the sooner of any use of the deliverable by the Companies in their normal operations or release of a third-party vendor from its contractual obligations.

g. The Companies' prudently incurred IT capital investments required to complete the transition of services from National Grid to the Companies, of up to \$8,100,000 less depreciation (i.e., net plant in service at the time of the rate filing), are eligible for recovery in

future rate filings. IT capital investments in excess of \$8.1 million required to complete the transition of services from National Grid to the Companies are not eligible for recovery in future rate filings, with the exception that IT capital expenditures required to complete the transition of services due to a “State Initiated Cost Change” (as defined in Section V.D.1.f.ii.1.a) or a “Federally Initiated Cost Change” (as defined in Section V.D.1.f.ii.1.b) after the Closing Date shall not be counted against the IT recovery cap.

h. Comprehensive IT testing plans (“Test Plans”) that conform to Standard 829 of the Institute of Electrical and Electronics Engineers (IEEE) will be undertaken by the parties as part of the IT Migration Plan set forth above. Copies of the Test Plans will be provided to Staff according to the project milestones set forth in the Final IT Migration Plan. Any subsequent changes to the Test Plans, their requirements, scope, standards and/or tests, which affect the implementation time and/or IT budget, will be reported to Commission Staff within fifteen (15) days of the issuance of the prescribed Change Management Notice. Any findings and recommendations made as a consequence of such testing shall be reported to Commission Staff as part of the Companies’ monthly reporting duties.

i. The Liberty Utilities Family of Companies will fully collaborate with Staff and/or Staff’s representatives throughout the transition period to ensure an efficient and effective implementation of the IT Migration Plan.

3. Customer Service

a. No later than six months after the Closing Date, the Companies will submit detailed plans that explain how customer service operations and support functions will be operated and maintained after the relevant TSA services are finished.

b. No later than six months after the Closing Date, the Companies will develop and submit a customer service staffing contingency plan that will govern in the event of failures during the cutover from National Grid to the Companies.

c. The Companies will be headquartered in New Hampshire and will have a locally based president for their New Hampshire operations. The Companies will also have local call centers as well as walk-in customer service centers. To ensure local management authority in emergency situations, the Liberty NH president shall have at least \$250,000 in spending authority and the vice president of operations shall have at least \$100,000 in spending authority.

d. Granite State commits to answering eighty percent (80%) of calls to its call centers within 20 seconds. EnergyNorth commits to answering eighty percent (80%) of calls to its call centers within 30 seconds.

i. For purposes of this Section, the timing of a call answered is measured from when the call leaves the automated menu system and enters the queue to be “live answered” by a customer service representative. However, a call that never leaves the automated menu system is included in the number of calls for purposes of the monthly and annual reported results.

ii. The Companies shall provide monthly reports within 21 days of the end of the month reported, in the form attached hereto as Attachment I, of call answering results.

iii. During the period following the cutover of call center services and continuing through Day N and 365 days thereafter, the Companies shall work to identify the root cause of any failure to achieve the call answer time metrics set forth above. If the Companies have reason to believe that the root cause relates to National Grid’s failure to

comply with its obligations under the TSAs or a system, database, process and/or procedure error that is attributable to National Grid, they shall request that National Grid cooperate with them in determining the root cause of the failure to achieve such metrics. National Grid agrees to comply with such request.

iv. The Companies' compliance with this Section will be determined on a yearly basis by aggregating all the calls for the 12 month calendar year period.

v. Notwithstanding the above, if Staff or the OCA is not satisfied with the performance of the Companies at any time following notice of cutover of call center services to the Companies and believes customer service is being materially compromised by poor performance, Staff or the OCA may request the Commission to open an investigation to determine whether additional actions should be taken by the Commission to address the Companies' service quality performance. Such actions may include, but shall not be limited to, the establishment of service quality performance standards for the Companies with financial penalties associated with future performance, if the Commission deems appropriate.

e. The Companies agree to conduct a statistically valid annual residential customer satisfaction survey and report the results to the Commission annually, no later than one month following the availability of survey results. The Companies will select a sample size that yields an error rate of no more than plus or minus two and a half percent (2.5%) with a ninety five percent (95%) confidence rate.

i. In order to ensure a meaningful comparison between National Grid's current customer satisfaction survey for Granite State and Liberty Utilities (Canada) Corp.'s customer satisfaction survey, Granite State and EnergyNorth commit to

undertaking a survey of their residential customers using Liberty Utilities (Canada) Corp.'s own format within 3 months of the Closing Date ("Baseline Customer Satisfaction Survey"). Prior to conducting this survey, Granite State and EnergyNorth will meet with Staff within 45 days of the Closing Date to discuss the design and format of Liberty Utilities (Canada) Corp.'s customer satisfaction survey, the objectives of the survey and whether it should be modified in any way.

ii. The Companies commit to maintaining a customer satisfaction percentage that is no lower than the Baseline Customer Satisfaction Survey satisfaction percentage. Should the Baseline Customer Satisfaction Survey satisfaction percentage be lower than eighty percent (80%), the Companies agree to provide the Commission with an action plan for improving customer satisfaction levels. The plan shall be provided no later than 90 days following the availability of the survey results and shall be provided annually until such time as subsequent Customer Satisfaction Survey satisfaction percentages exceed eighty percent (80%).

f. The Companies commit to allocate the equivalent of one full time employee to low-income initiatives, which shall include but are not limited to: providing specialized enrollment and education services; responding to customer requests through early intervention; crisis bill payment management; outreach and education including the activities described in paragraphs g.iv, g.v, and g.viii of this Section; and maintaining strong partnerships with human service agencies.

g. The Companies agree to maintain the following low-income initiatives:

- i. Maintain Granite State’s participation in the statewide Electric Assistance Program (“EAP”), including maintaining Granite State’s position as a member on the EAP Advisory Board;
 - ii. Maintain at least the fiscal year 2011 funding for the NH “Neighbor Helping Neighbor” customer bill assistance program;
 - iii. Maintain at least the fiscal year 2011 funding for EnergyNorth’s low income “R-4” gas discount rate;
 - iv. Conduct at a minimum the current level of outreach and education efforts to enroll low-income customers in EnergyNorth’s low income “R-4” gas discount rate;
 - v. Continue to meet with NH Legal Assistance no less frequently than annually to discuss EnergyNorth’s outreach efforts regarding its low-income “R-4” gas discount rate and its collection practices and activities;
 - vi. Continue participation in the statewide “Core” electric and natural gas energy efficiency programs, including the low income energy efficiency programs;
 - vii. Maintain the NH Community Action Program’s right of first refusal to provide energy efficiency services to the Companies’ low income energy efficiency programs; and
 - viii. Calling campaign in the early fall, targeting customers eligible for federal low income home energy assistance (“LIHEAP”).
- h. During the Transition Period, the Companies and National Grid commit to working together to identify the root cause of any failure to achieve the Performance Metrics set forth in Attachments N and O. During the period from Day N and 365 days thereafter, the

Companies shall work to identify the root cause of any failure to achieve the Performance Metrics (as defined in Section E.3.c. below) in Attachment N. If the Companies have reason to believe that the root cause relates to National Grid's failure to comply with its obligations under the TSAs or a system, database, process and/or procedure error that is attributable to National Grid, they shall request that National Grid cooperate with them in determining the root cause of the failure to achieve such metrics. National Grid agrees to comply with such request.

i. During the transition period and the period Day N plus 365 days thereafter, the Companies shall provide National Grid with all information necessary for National Grid to file its monthly performance reports.

j. The Companies will provide National Grid with information relevant to the performance metrics, and will maintain the National Grid performance metrics in Attachment N following the termination of each associated transition service and through Day N plus 365 days thereafter.

4. Safety

a. The Companies will ensure back-office familiarity with systems used to assess/handle outages, including local outage management personnel and systems, as well as periodic in-house emergency response training and drills. The Companies will provide Staff with copies of training and drill materials within six months of the Closing Date.

b. The Companies commit to implementing by January 2014 and maintaining remote readable computer access during emergency events for designated members of Commission Staff to enable access to outage management system ("OMS") display screens, including information that is not typically available to the public. The Companies further commit to developing its OMS capability to display Estimated Restoration Times ("ERTs") by location of

outages and number of customers affected. An update of the status of OMS development will be provided in Granite State Electric's first base rate case after Closing.

c. The Companies agree to appoint an Emergency Liaison who, in the event the Liberty Energy NH Emergency Operations Center opens, will provide designated Staff with Emergency Response Updates four times daily. For purposes of this Section, the term Emergency Response Updates means crew reports, outage reports by town, and outage reports by circuit within towns.

d. The Companies commit to continuing their participation in regional mutual assistance networks.

e. See Attachment J for a detailed list of additional safety commitments by the Companies.

5. Operations

a. Granite State agrees that the REP and VMP conditions established in Docket No. DG 06-107 and set forth in Attachment K should be approved by the Commission as renewed commitments undertaken by Granite State in this transaction.

b. Granite State commits to undertake all reasonable efforts to maintain Granite State's practice of operating energy efficiency programs within budget and achieving kWh savings.

c. Concurrently with approval of this Settlement, the Staff and the Companies request the Commission close Docket No. DE 10-142 (Granite State's Least Cost Integrated Resource Plan ("LCIRP")). Granite State agrees that it shall file a new LCIRP within six months of Commission's Order approving this transaction and closing Docket No. DE 10-142.

d. The Companies agree to review the current levels of their energy efficiency budgets in the “Core” Electric and Gas Energy Efficiency dockets to determine whether, and to what extent, these budgets, including the low income budget, may be increased in order to provide energy efficiency services to more customers. As part of their next Core filing, the Companies will include a report summarizing the results of this review.

6. Financial

Liberty Utilities agrees to guarantee each of its New Hampshire subsidiaries access to the following minimum capital amounts under its January 18, 2012 Short-Term Revolving Credit Facility: EnergyNorth \$18,867,000; Granite State \$2,731,000. Future renewals of that facility or any new short-term facilities will be at favorable terms and conditions that are no more costly than comparable commercial credit facilities.

7. Transition

Liberty Utilities (Canada) Corp shall maintain a fully dedicated senior executive to be responsible for transition activities associated with all of Liberty Utilities Co.'s acquisitions. This individual will be the head of Liberty Utilities (Canada) Corp.'s Project Management Office (“PMO”). The PMO’s responsibilities shall include providing leadership, oversight and control of any projects related to the integration of new acquisitions. The PMO shall report directly to the President of Liberty Utilities (Canada) Corp., and shall be responsible for approving project charters and plans to ensure they conform to Liberty Utilities (Canada) Corp.’s overall business strategy and commitments. The PMO shall also track and audit ongoing transition project plans to ensure the transition projects are on target for success. Throughout the transition, the PMO will hold periodic briefing sessions with transition team leads to ensure the project(s) are on target for

success. Updates based on the PMO briefings will be provided in the quarterly reports provided pursuant to Section V.C.1.c above.

8. Affiliate Requirements

The Companies shall comply with the Commission's Affiliate Transactions Rules (Puc Chapter 2100), and more specifically Granite State and EnergyNorth shall not purchase or offer to purchase energy, capacity and/or services from any of their competitive affiliates (including hydroelectric generating or gas facilities owned directly or indirectly by Algonquin Power Co., its successors or assigns) on terms more favorable than those offered to or available to any non-affiliated suppliers, including independently owned hydroelectric generating facilities in New Hampshire.

E. Conditions Agreed to by National Grid

1. National Grid has agreed to provide certain transition services (each, a "Transition Service" and collectively, "Transition Services") to the Companies pursuant to the terms and conditions of the TSAs. The TSAs provide that National Grid will perform each Transition Service from the Closing Date to such date that Liberty Energy achieves the capability to perform such Transition Service without assistance from National Grid (each, an "Individual TSA Transition Period"). With regard to all Transition Services other than the Transition Services identified in Attachment L (collectively, the "Attachment L Transition Services"),⁸ the date on which each Individual TSA Transition Period has terminated is hereinafter referred to as "Individual Day N." The date on which all Transition Services have transferred from National Grid to Liberty Energy is hereinafter referred to as "Day N." (If, from time to time, National Grid provides additional Transition Services to the Companies that National Grid believes to be on-

⁸ The Transition Services identified in Attachment L tend to deal with consulting services that may be utilized on an as-needed basis and may continue to be used by the Companies following the Transition Period.

going, as-needed consulting-type services, it may seek Staff’s agreement to add such additional Transition Services to Attachment L, in which event they shall also be excluded from the determination of Day N and shall be included in the list of Attachment L Transition Services.)

2. As further described in Section V.E.6 below, within five (5) business days following the Closing Date, National Grid will deposit Twenty-Eight Million Five Hundred Thousand Dollars (\$28,500,000) (the “Escrow Funds”) by wire transfer of immediately available funds into a segregated, interest-bearing escrow account (“Escrow Account”) established by National Grid and administered by an escrow agent (“Agent”) deemed acceptable to both National Grid and Staff. Such Escrow Funds will be held for the purposes of securing the provision of Transition Services by National Grid as described herein.

3. The Escrow Funds will be segregated into three “pools” as follows:

a. Thirteen Million Five Hundred Thousand Dollars (\$13,500,000) of the Escrow Funds (“Pool A Escrow Funds”) will be eligible for release to National Grid in increments at prescribed 3-month intervals following Day 1 and continuing until Day N. To effect release of the Pool A Escrow Funds, the Companies and National Grid will submit jointly to Staff within sixty (60) days after the end of each three-month interval a written attestation (each, a “TSA Transfer Certification”) that the Transition Services identified in the TSA Transfer Certification have been fully transferred pursuant to the terms of the TSAs. The Companies and National Grid shall provide a copy to the OCA of the cover letter enclosing each TSA Transfer Certification.

Upon receipt of each TSA Transfer Certification, Staff will confirm within thirty (30) days in a letter to the Companies and National Grid, with copies provided to the OCA, that the Transition Services described in the TSA Transfer Certification have been fully transferred in accordance with the terms of the TSAs and, upon Staff’s confirmation, the Agent shall release to

National Grid Pool A Escrow Funds on a pro-rata basis, based on the cumulative number of Transition Services that have been fully transferred to Liberty Energy and/or its affiliates. If Staff determines that any of the Transition Services have not been so transferred, it shall provide the Companies and National Grid a detailed written explanation of the basis for that determination, with copies to the OCA. The associated Pool A Escrow Funds shall be held for release to National Grid as part of the next submission of a TSA Transfer Certification submitted by the Companies and National Grid upon a determination by Staff that such service has been so transferred.

Notwithstanding the foregoing, One Million Five Hundred Thousand Dollars (\$1,500,000) of Pool A Escrow Funds will be held in reserve until confirmation by Staff that all Transition Services (other than Attachment L Transition Services) are completed. All remaining Pool A Escrow Funds will be released to National Grid concurrently with the final release payment of the Pool A Escrow Funds to National Grid; National Grid's continued provision after Day N of any of the Attachment L Transition Services shall not preclude the release of the remaining Pool A Escrow Funds to National Grid. The sliding scale set forth in Attachment M is a sample calculation. All calculations under this provision shall include adjustments as appropriate for any changes in the number of Transition Services provided.

b. Five Million Dollars (\$5,000,000) of the Escrow Funds ("Pool B Escrow Funds") will be eligible for release to National Grid at such time as the Companies and National Grid submit jointly a written attestation ("Day N Certification") to Staff that all Transition Services provided under the TSAs other than the Attachment L Transition Services have been transferred (i.e., that Day N has occurred). National Grid's continued provision after Day N of any of the Attachment L Transition Services shall not preclude the release of the Pool B Escrow Funds to National Grid. The Pool B Escrow Funds will be released to National Grid no earlier than 90

days and no later than 120 days after the Companies and National Grid jointly submit the Day N Certification to Staff. The Companies and National Grid shall provide to the OCA a copy of the cover letter enclosing the Day N Certification.

c. Ten Million Dollars (\$10,000,000) of the Escrow Funds (“Pool C Escrow Funds”) will be held by the Agent and reserved for administering the prescribed performance metrics appended as Attachment N (“Customer Service Performance Metrics”) and Attachment O (“Safety Performance Metrics”) to this Agreement. (The Customer Service Performance Metrics and the Safety Performance Metrics are collectively referred to herein as “Performance Metrics” and individually as a “Performance Metric”.) The intent of the Performance Metrics is to ensure (i) that National Grid achieves and maintains certain specified performance levels when providing Transition Services during the Individual TSA Transition Periods, and (ii) that the continued performance of such services by Liberty Energy following the termination of each Individual TSA Transition Period is not rendered defective as a result of any system, database, data, process and/or procedure error that is directly attributable to National Grid. Unless otherwise specified, the Performance Metrics will be monitored beginning on Day 1 and continuing through Day N and 365 days thereafter.

i. Customer Service Performance Metrics. As noted above, the Customer Service Performance Metrics are appended to this Agreement as Attachment N. In addition to the Customer Service Performance Metrics set forth in Attachment N, the volume of calls from EnergyNorth and Granite State customers to the Companies’ call center will continue to be reported to the Staff on a monthly basis as part of the call answering report. If the EnergyNorth customer call volume in a given month exceeds the prior month by twenty percent (20%), National Grid will provide a written explanation to

Staff within 10 days of the filing of the call answering report with the Commission. If the Granite State customer call volume in a given month exceeds the prior month by twenty five (25%), National Grid will provide a written explanation to Staff within 10 days of the filing of the call answering report with the Commission. If the written explanation provided by National Grid indicates that the call volume increase is related to problems occurring in the operation of the affected Company's respective distribution systems or billing and customer service systems, Staff may initiate a review and National Grid, Liberty Energy, and the affected Company shall cooperate fully with the Staff's review. National Grid shall not be deemed to have failed to achieve this metric if call volumes were materially affected by a Major Storm Event⁹ or other event beyond National Grid's reasonable control, third party acts, or calls that are otherwise not related to problems occurring in the operation of the utilities' respective distribution systems or billing and customer service systems.

If either of the Companies fails to achieve a Customer Service Performance Metric, a report will be filed with Staff within 21 days following the end of the month in which the failure occurred. Within 10 days of the submission to Staff of the report identifying such failure, National Grid and the affected Company shall jointly provide Staff a written explanation of the reason for the failure to achieve the relevant Customer Service Performance Metric. A copy of this written explanation shall be provided to the OCA.

If a decline in performance level or failure to achieve a particular Customer Service Performance Metric triggers a Staff review and/or a set-aside as described in Attachment N, the written explanation described above shall also include, if applicable, the

⁹ A "Major Storm Event" is defined as a severe weather event or events causing 30 concurrent troubles and fifteen percent (15%) of customers interrupted or 45 concurrent troubles.

proposed remedy for the failure to achieve the Customer Service Performance Metric, including a good faith estimate of the cost of the proposed remedy. To the extent that a decline in performance levels for a particular Customer Service Performance Metric in a given month triggers Staff review and/or a set-aside, National Grid will continue to report on a monthly basis. If the Customer Service Performance Metric failure continues in consecutive months as a result of the same event or circumstances, National Grid will not be subject to additional set-asides in connection with such event or circumstances. A continued decline in performance of Customer Service Performance Metrics, however, may be taken into account in determining the remedial action to be taken and/or the amount of any penalty to be imposed in accordance with the procedure set forth below.

With respect to any failure to achieve a particular Customer Service Performance Metric under this subsection for which Staff determines that a review is necessary, Staff will expeditiously review the specific circumstances of the failure to meet the relevant Customer Service Performance Metric to determine the reasons for such failure, the severity or significance of the impact of such failure, and whether such failure is directly attributable to National Grid. National Grid, Liberty Energy, and the affected Company shall cooperate fully with the Staff's review. Staff shall memorialize the findings of this review in a report provided to the affected Company, National Grid and the OCA. Upon the initiation of any such review by the Staff, \$250,000 of the Pool C Escrow Funds will be earmarked and set aside for National Grid's potential liability, which may consist of remedial funds and/or a penalty as described below. To the extent necessary, National Grid, Liberty Energy, and the affected Company may begin implementation of a proposed remedy prior to the conclusion of Staff's review, and such implementation shall

not constitute an admission of fault or liability. If Staff determines that the failure to achieve a particular Customer Service Performance Metric is a result of (1) National Grid's failure to comply with its obligations under the TSAs or (2) a system, database, data, process and/or procedure error that is attributable to National Grid, it shall either accept National Grid's proposed remedy or propose such changes as it reasonably determines are necessary. Such funds as are reasonably determined appropriate by Staff to remedy the identified deficiency will be drawn from the Pool C Escrow Funds and used by National Grid to implement the remedy. The amount of such remedial funds is not intended to be limited to a maximum of \$250,000. In determining the amount of Pool C Escrow Funds to be applied for remedial purposes, the Staff shall consider (i) National Grid's relative culpability for the failure to achieve the relevant Customer Service Performance Metric, and (ii) the most cost-effective remedy to address the specific performance issue (with due consideration to the short-term nature of Transition Services).

Upon determination that National Grid is at fault, and costs are incurred in the implementation of a remedy prior to the conclusion of the Staff's review, a corresponding amount shall be transferred from the Pool C Escrow Funds to National Grid after approval by Staff. If National Grid disputes Staff's determination, it may seek a resolution of the dispute by the Commission. Any such dispute shall be treated as an adjudicative proceeding before the Commission.

If Staff's review includes a determination that it is appropriate to assess a penalty against National Grid as a result of a material failure to achieve a particular Customer Service Performance Metric under this subsection, it shall report its finding to the Commission, with copies to the OCA, for a determination of the appropriate amount of

the penalty to be assessed. The Commission shall consider, among other relevant factors, (i) National Grid's relative culpability for the failure to achieve the relevant Customer Service Performance Metric; (ii) the harm, if any, to customers of the Companies directly resulting from the failure to achieve a particular Performance Metric; (iii) the degree to which National Grid or the Companies failed to achieve a particular Customer Service Performance Metric; and (iv) Commission precedent with regard to the magnitude of fines levied against New Hampshire utilities for similar performance issues. No penalty assessed against National Grid for a material failure to meet a Customer Service Performance Metric shall exceed \$250,000. Any such penalty determination shall be treated as an adjudicative proceeding before the Commission.

National Grid's failure to meet a particular Customer Service Performance Metric shall be excused to the extent that such failure is caused by circumstances beyond its reasonable control, including but not limited to extraordinary events that are external to National Grid and the actions/inactions of Liberty Energy and/or any of its affiliates. However, failure to achieve the Bill Accuracy, Bills with Exceptions, and Emergency Response – Major Storm Customer Service Performance Metrics, as listed in Attachment N shall not be excused by reason of a Major Storm Event.

ii. Safety Performance Metrics. As noted above, the Safety Performance Metrics are appended to this Agreement as Attachment O. If either of the Companies fails to achieve a Safety Performance Metric measurement as set forth on Attachment O, within 15 days of such failure or notification by Staff of such failure, National Grid and the affected Company shall jointly provide Staff a written explanation of

the reason for the failure to achieve the relevant Safety Performance Metric measurement. A copy of this written explanation shall be provided to the OCA.

If the written explanation indicates that the failure to achieve a Safety Performance Metric measurement is or may be directly attributable to National Grid, Staff may initiate a review if it determines that such a review is necessary. If Staff determines that such a review is necessary, Staff will expeditiously review the specific circumstances of the failure to achieve the relevant Safety Performance Metric measurement to determine the reasons for such failure, the severity or significance of the impact of such failure, and whether such failure is directly attributable to National Grid. National Grid, Liberty Energy, and the affected Company shall cooperate fully with the Staff's review. Staff shall memorialize the findings of this review in a report provided to the affected Company, National Grid and the OCA. Upon the initiation of any such review by the Staff, \$250,000 of the Pool C Escrow Funds will be earmarked and set aside for National Grid's potential liability, which may consist of remedial funds and/or a penalty as described below.

To the extent necessary, National Grid, Liberty Energy, and the affected Company may begin implementation of a proposed remedy prior to the conclusion of Staff's review, and such implementation shall not constitute an admission of fault or liability. If Staff determines that the failure to achieve a particular Safety Performance Metric is a result of (1) National Grid's failure to comply with its obligations under the TSAs or (2) a system, database, data, process and/or procedure error that is attributable to National Grid, it shall either accept National Grid's proposed remedy or propose such changes as it reasonably determines are necessary. Such funds as are reasonably determined appropriate by Staff to remedy the identified deficiency will be drawn from the

Pool C Escrow Funds and used by National Grid to implement the remedy. The amount of such remedial funds is not intended to be limited to a maximum of \$250,000. In determining the amount of Pool C Escrow Funds to be applied for remedial purposes, the Staff shall consider (i) National Grid's relative culpability for the failure to achieve the relevant Safety Performance Metric, and (ii) the most cost-effective remedy to address the specific performance issue (with due consideration to the short-term nature of Transition Services).

Upon determination that National Grid is at fault, and costs are incurred in the implementation of a remedy prior to the conclusion of the Staff's review, a corresponding amount shall be transferred from the Pool C Escrow Funds to National Grid after approval by Staff. If National Grid disputes Staff's determination, it may seek a resolution of the dispute by the Commission. Any such dispute shall be treated as an adjudicative proceeding before the Commission.

If Staff's review includes a determination that it is appropriate to assess a penalty against National Grid as a result of a material failure to achieve a particular Safety Performance Metric measurement under this subsection, it shall report its finding to the Commission, with copies to the OCA, for a determination of the appropriate amount of the penalty to be assessed. The Commission shall consider, among other relevant factors, (i) National Grid's relative culpability for the failure to achieve the relevant Safety Performance Metric measurement; (ii) the harm, if any, to customers of the affected Company directly resulting from the failure to achieve a particular Safety Performance Metric measurement; and (iii) the degree to which National Grid or the affected Company failed to achieve a particular Safety Performance Metric measurement. No penalty

assessed against National Grid for a material failure to meet a Safety Performance Metric measurement shall exceed \$250,000. Any such penalty determination shall be treated as an adjudicative proceeding before the Commission.

National Grid's failure to meet a particular Safety Performance Metric measurement shall be excused to the extent that such failure is caused by circumstances beyond its reasonable control, including but not limited to extraordinary events that are external to National Grid and the actions/inactions of Liberty Energy and/or any of Liberty Energy's affiliates. However, failure to achieve the Safety Performance Metrics measurements contained in Attachment O shall not be excused by reason of a Major Storm Event or Large Scale System Wide Outage as defined in Attachment O.

iii. Release of Pool C Escrow Funds. This subsection applies to all Performance Metrics. If, at one hundred eighty (180) days after Day N, there are no unresolved or uncorrected performance failures outstanding, Staff will confirm this in a letter provided to the Companies and National Grid and copied to the OCA and the Agent shall release twenty-five percent (25%) of the non-earmarked Pool C Escrow Funds to National Grid. The balance of Pool C Escrow Funds thereafter shall be held until 365 days following Day N at which time it shall be released in full to National Grid; provided, however, that if any failure to achieve any Performance Metric shall have occurred prior to the conclusion of the 365 days and the disposition of such matter shall not have been finally resolved, a portion of the Pool C Escrow Funds in an amount equal to \$250,000 for each such pending matter shall continue to be held in escrow until such matter has been finally resolved, after which time any residual Pool C Escrow Funds shall be promptly released to National Grid.

5. *Partial Terminations:* Partially completed Transition Services are not considered completed for purposes of releasing any Escrow Funds.

6. *Administration of Escrow Funds*

a. Escrow Account: National Grid will establish the Escrow Account for purposes of administering the Escrow Funds as contemplated by this Agreement. Once the Agent has been selected, National Grid shall enter into an appropriate escrow agreement (the “Escrow Agreement”) with the selected Agent. The Agent shall hold, safeguard, administer and disburse the Escrow Funds upon written certification of Staff as described in Section 3.a above, and in accordance with the terms of this Agreement and the Escrow Agreement. A copy of the Escrow Agreement shall be filed with the Commission upon execution.

b. Disposition of Escrow Funds: The Agent will hold the Escrow Funds in its possession pending any authorized release of the Escrow Funds to National Grid as described herein. The certification by Staff that certain conditions have been met related to the release of Escrow Funds shall not be considered an adjudicatory proceeding except as provided herein. No third parties shall have a right to participate as a party in interest with regard to any such certification unless authorized by the Commission.

c. Interest: All interest accruing on the funds deposited in the Escrow Account shall be for the benefit of National Grid. National Grid shall receive quarterly interest payments in an amount equal to the accrued interest on the Escrow Account.

d. Escrow Fees: Any fees associated with the maintenance of the Escrow Funds shall not be taken from the principal amount in the Escrow Account.

e. Escrow Statements: Copies of the monthly statements provided by the Escrow Agent to National Grid shall be provided simultaneously to Staff.

F. Acquisition Premium

Neither Granite State nor EnergyNorth shall seek to recover through rates any acquisition premium on its respective books or those of any affiliated entity that results from the acquisition of their stock by Liberty Energy NH. To the extent that any portion of the acquisition premium is required for financial accounting purposes to be reflected on the books of either utility it shall be reflected “below the line” for ratemaking purposes.

G. Consultant Costs

If the Commission engages a consultant or other outside contractor for purposes of implementing the terms of this Agreement or otherwise overseeing the transactions contemplated by this agreement, the costs of any such consultant or outside contractor shall not be assessed to National Grid or its affiliates.

VI. GENERAL PROVISIONS

1. The signatories to this Agreement agree and recommend that, based upon information provided by the Joint Petitioners in this proceeding and the commitments contained in this Agreement, the Commission find that the proposed transaction is lawful, proper and in the public interest, and should be approved by the Commission.

2. This Agreement is expressly conditioned upon the Commission’s acceptance of all its terms, without change or condition. If the Commission does not accept this Agreement in its entirety, without change or condition, or if the Commission makes any findings other than those expressly contained in this Agreement, and the Staff or any of the Settling Parties notifies the Commission within ten business days of its disagreement with any such changes, conditions or findings, the Agreement shall be deemed to be withdrawn, in which event it shall be deemed to be null and void and without effect, and shall not constitute any part of the record in this proceeding,

shall not be relied upon by Staff or any party to this proceeding or by the Commission for any other purpose.

3. The rights conferred and obligations imposed on any party by this Agreement shall be binding on or inure to the benefit of their respective successors in interest or assignees as if such successor or assignee itself was a party hereto.

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

This Agreement represents a resolution of the matters specified herein only. The Settling Parties and Staff agree that the Commission's approval of this Agreement will not constitute continuing approval of, or precedent for, any particular principle or issue other than those specified herein, but such acceptance does constitute a determination that the terms set forth herein in their totality are just and reasonable and consistent with the public interest.


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

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the signatories below have executed this Agreement,
each being fully authorized to do so, as of the day and year written below.

**LIBERTY ENERGY UTILITIES CO. and
Liberty Energy Utilities (New Hampshire) Corp.**
By their Attorney

Date: April 10, 2012

By: 
Shannon P. Coleman

**NATIONAL GRID USA,
National Grid NE Holdings 2 LLC,
Granite State Electric Company, and
EnergyNorth Natural Gas, Inc.**
By their Attorneys

Date: April , 2012

By: _____
Celia B. O'Brien

Date: April , 2012

By: _____
Steven V. Camerino
McLane, Graf, Raulerson & Middleton, PA

**STAFF OF THE NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**
By its Attorney

Date: April , 2012

By: _____
Lynn Fabrizio

OFFICE OF CONSUMER ADVOCATE
By its Attorney

Date: April , 2012

By: _____
Rorie E. Hollenberg

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By their Attorneys

Date: April 10, 2012

By: Celia B. O'Brien
Celia B. O'Brien

Date: April 10, 2012

By: Steven V. Camerino
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McLane, Graf, Raulerson & Middleton, PA

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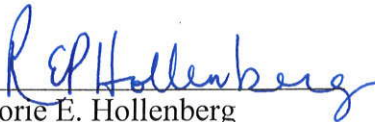
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OFFICE OF CONSUMER ADVOCATE
By its Attorney

Date: April 10, 2012

By: 
Rorie E. Hollenberg

[SIGNATURES CONTINUE ON NEXT PAGE]

THE WAY HOME

By its Attorney

PAMELA LOCKE

By her Attorney

Date: April 10, 2012

By: Alan Linder

Alan Linder

Daniel Feltes

New Hampshire Legal Assistance

**NEW HAMPSHIRE COMMUNITY
ACTION ASSOCIATION**

By their Attorney

Date: April , 2012

By: _____

Dana Nute

**UNITED STEEL WORKERS OF
AMERICA LOCAL 12012-3**

By its Attorney

Date: April , 2012

By: _____

Shawn Sullivan

**INTERNATIONAL BROTHERHOOD OF
ELECTRICAL WORKERS LOCAL 326**

Date: April , 2012

By: _____

James Simpson

GRANITE STATE HYDROPOWER ASSOCIATION

By its Attorney

Date: April , 2012

By: _____

Howard M. Moffett

Orr & Reno, P.A.

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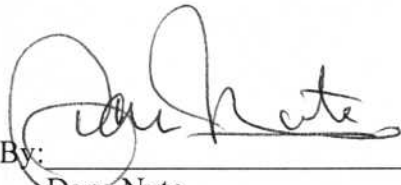
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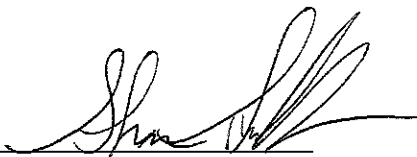
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