

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

NORTHERN UTILITIES, INC.
Investigation into Maine-New Hampshire Interstate Cost Allocation Matters
Docket No. DG 12-131

SETTLEMENT AGREEMENT

This Settlement Agreement (“Settlement Agreement”) is entered into this 12th day of October, 2012, by and among Northern Utilities, Inc. (“Northern,” or “the Company”), the Office of Consumer Advocate (“OCA”) and the Staff of the New Hampshire Public Utilities Commission (“Staff”) (collectively, the “Settling Parties”), and is intended to resolve all outstanding issues in the above-captioned docket.

1. Procedural History

1.1. On May 16, 2012, the New Hampshire Public Utilities Commission (“Commission”) opened this docket to investigate the impact on New Hampshire ratepayers, if any, as a result of the disclosure by Northern, in its initial filing in Docket No. DG 11-068, of the discovery of an inconsistency in the allocation of its gas supply resource costs between Northern’s New Hampshire and Maine divisions. Because of the potentially large sums of New Hampshire customer monies involved, in Order No. 25,354 entered in Docket No. DG 12-068, the Commission accepted Staff’s recommendation for a new investigative docket through which Staff could develop recommendations for further reconciliations and revisions, as appropriate.

1.2. The OCA filed a letter of intent to participate in the docket on May 24, 2012.

1.3. A Prehearing Conference, pursuant to N.H. Code Admin. Rules Puc 203.15, was held before the Commission on May 30, 2012.

1.4. During the Prehearing Conference, the Company stated that it had conferred with Staff and the OCA and agreed to file a report by June 22, 2012 with background and other information regarding the cost allocation issue.

1.5. On June 11, 2012, the Company requested an extension of time until July 20, 2012, to file the report. On July 7, 2012, a Secretarial Letter was issued granting the extension.

1.6. On July 20, 2012, the Company filed its “Report Concerning the Allocation of Gas Supply Resources Between Northern’s Maine and New Hampshire Divisions and the Calculation of the Monthly Gas Supply Commodity Cost Allocator.” Under separate cover, the Company also filed its responses to the Staff’s first set of data requests.

1.7. A technical session was held at the Commission on August 14, 2012. Subsequent to the technical session, the parties engaged in informal settlement discussions, which ultimately led to this Settlement Agreement. As part of these discussions, the Company responded to a second and third set of data requests from the Staff, and one set of data requests from the OCA. No person or party other than the signatories below participated in these settlement discussions.

2. Rate Adjustments

2.1. In the interest of resolving all outstanding issues in this docket, the Settling Parties agree to the following rate adjustments.

2.2. Northern will refund to customers the amount of \$4,130,679 over a period of one year beginning November 1, 2012. See Schedule 1, Page 2 of 2, line 88, column (D), attached hereto as "Settlement Agreement Attachment 1."

2.3. In order to accomplish the refund, Northern has revised its 2011-2012 Winter Period Reconciliation (Docket No. DG 11-207) in the cost of gas proceeding, docketed as DG 12-273, to reflect an adjustment of -\$4,101,779. See Schedule 1, Page 1 of 2, line 28, column (D), Settlement Agreement Attachment 1. In its revised Reconciliation filing, Northern has adjusted its opening balances (May 2011) for commodity, working capital, and bad debt and calculated its proposed cost of gas rates effective November 1, 2012 accordingly.

2.4. Northern will adjust its opening balances (November 2011) to reflect a total adjustment of -\$28,900 for commodity, working capital, and bad debt for the 2012 Summer Period Reconciliation which will be reflected in cost of gas rates effective May 1, 2013. See Schedule 1, Page 1 of 2, line 47, column (D), Settlement Agreement Attachment 1. Northern has charged \$9,623 through its 2010-2011 Summer Period Reconciliation (Docket No. DG 12-068). The net refund amounts to \$19,277. See Schedule 1, Page 1 of 2, line 57, column (D), Settlement Agreement Attachment 1.

2.5. The Parties agree to work together to develop additional filing detail to be included in Northern's Form III Schedule 4 of the COG Reconciliation which will demonstrate Northern's total monthly Commodity and Demand Costs as well as the amounts assigned to the Maine and New Hampshire Divisions. This detail shall be included beginning with the Company's next COG Reconciliation filing. The Parties will also collaborate to integrate other improvements into the Northern COG Reconciliation, as part of the ongoing Reconciliation review process, with a goal of providing more detail to the Parties.

3. General Provisions

3.1. This Settlement Agreement is expressly conditioned upon the Commission's acceptance of all its provisions, without change or condition. If the Commission does not accept this Settlement Agreement in its entirety, without change or condition, or if the Commission makes any findings that go beyond the scope of this Settlement Agreement, and any of the Settling Parties is unable to agree with the changes, conditions or findings, this Settlement Agreement shall be deemed to be withdrawn and shall not constitute any part of the record in this proceeding and shall not be used for any other purpose.

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

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

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

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

3.6. The rights conferred and the obligations imposed on the Settling Parties by this Settlement Agreement shall be binding on or inure to the benefit of any successors in interest or assignees as if such successor or assignee was itself a signatory party. The Settling Parties agree to cooperate in advocating that this Settlement Agreement be approved by the Commission in its entirety and without modification.

3.7. This Settlement Agreement is the product of confidential settlement negotiations. The content of these negotiations, including any documents prepared during such negotiations for the

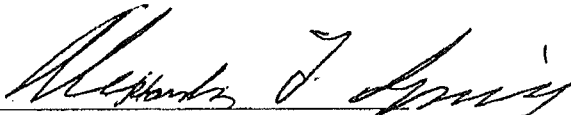
purpose of reaching a settlement, shall be privileged and all offers of settlement shall be without prejudice to the position of any party presenting such offer.

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

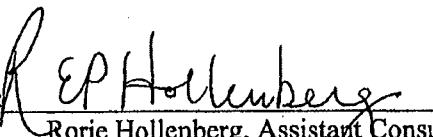
4. Conclusion

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

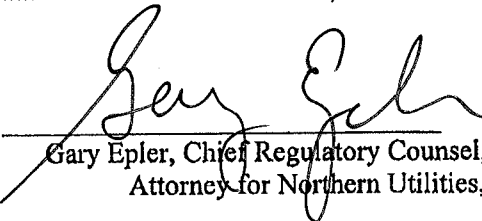
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Northern Utilities, Inc.
Summary of Variable Commodity Allocation Adjustments related to Company Managed Gas and LAUF

Line #	Description	New Hampshire			Maine			Reference for Updated Amounts
		As Filed (A)	Updated (B)	Change (C)	As Filed (E)	Updated (F)	Change (G)	
1	<u>Peak - May 2008- Apr 2009:</u>							
2	Commodity Costs	\$ 28,851,058	\$ 28,029,008	\$ (822,050)	\$ 21,736,533	\$ 22,558,583	\$ 822,050	Sch 2, pps.5, 13 and Sch 5, pps.6, 20
3	Demand Costs	\$ 11,159,762	\$ 11,159,762	\$ -	\$ 11,019,798	\$ 11,019,798	\$ -	Sch 2, pps.6, 14 and Sch 5, pps.7, 21
4	Interest on Over/Under Balance	\$ 59,253	\$ 51,804	\$ (7,449)	\$ 64,728	\$ 74,030	\$ 9,302	Sch 2, pps.3, 11 and Sch 5, pps.4, 18
5	Working Capital	\$ 27,190	\$ 26,714	\$ (476)	\$ 144,455	\$ 148,081	\$ 3,626	Sch 2, pps.7, 15 and Sch 5, pps.11, 25
6	Interest on Over/Under Balance	\$ 118	\$ 113	\$ (5)	\$ 632	\$ 673	\$ 41	Sch 2, pps.7, 15 and Sch 5, pps.11, 25
7	Bad Debt	\$ 180,171	\$ 176,470	\$ (3,701)	\$ 348,748	\$ 357,500	\$ 8,752	Sch 2, pps.8, 16 and Sch 5, pps.12, 26
8	Interest on Over/Under Balance	\$ 1,251	\$ 1,218	\$ (33)	\$ 1,546	\$ 1,645	\$ 99	Sch 2, pps.8, 16 and Sch 5, pps.12, 26
9	Totals - Peak Period - 2008/2009	\$ 40,278,803	\$ 39,445,089	\$ (833,714)	\$ 33,316,440	\$ 34,160,310	\$ 843,870	
10	<u>Peak - May 2009- Apr 2010:</u>							
11	Commodity Costs	\$ 16,507,551	\$ 15,281,412	\$ (1,226,139)	\$ 12,405,739	\$ 13,631,878	\$ 1,226,139	Sch 3, pps.5, 16 and Sch 6, pps.6, 20
12	Demand Costs	\$ 10,650,190	\$ 10,650,190	\$ -	\$ 10,921,727	\$ 10,921,727	\$ -	Sch 3, pps.6, 17 and Sch 6, pps.8, 22
13	Interest on Over/Under Balance	\$ 110,619	\$ 73,599	\$ (37,020)	\$ (18,711)	\$ 7,414	\$ 26,125	Sch 3, pps.3, 14 and Sch 6, p.4, 18
14	Working Capital	\$ 15,317	\$ 14,625	\$ (692)	\$ 102,874	\$ 108,281	\$ 5,407	Sch 3, pps.8, 19 and Sch 6, pps.11, 25
15	Interest on Over/Under Balance	\$ (1,366)	\$ (1,389)	\$ (23)	\$ 196	\$ 311	\$ 115	Sch 3, pps.8, 19 and Sch 6, pps.11, 25
16	Bad Debt	\$ 122,279	\$ 116,758	\$ (5,521)	\$ 248,362	\$ 261,416	\$ 13,054	Sch 3, pps.9, 20 and Sch 6, pps.12, 26
17	Interest on Over/Under Balance	\$ 1,338	\$ 1,168	\$ (170)	\$ 384	\$ 662	\$ 278	Sch 3, pps.9, 20 and Sch 6, pps.12, 26
18	Totals - Peak Period - 2009/2010	\$ 27,405,928	\$ 26,136,363	\$ (1,269,565)	\$ 23,660,571	\$ 24,931,689	\$ 1,271,118	
19	<u>Peak - May 2010- Apr 2011:</u>							
20	Commodity Costs	\$ 16,690,300	\$ 14,784,852	\$ (1,905,447)	\$ 10,305,839	\$ 12,211,286	\$ 1,905,447	Sch 4, pps.5, 16 and Sch 7, pps.6, 20
21	Demand Costs	\$ 14,353,569	\$ 14,353,569	\$ -	\$ 14,211,538	\$ 14,211,538	\$ -	Sch 4, pps.6, 17 and Sch 7, pps.8, 22
22	Interest on Over/Under Balance	\$ 138,949	\$ 55,976	\$ (82,973)	\$ 17,918	\$ 75,480	\$ 57,562	Sch 4, pps.3, 14 and Sch 7, pps.4, 18
23	Working Capital	\$ 17,509	\$ 16,434	\$ (1,075)	\$ 108,122	\$ 116,525	\$ 8,403	Sch 4, pps.8, 19 and Sch 7, pps.11, 25
24	Interest on Over/Under Balance	\$ (2,285)	\$ (2,334)	\$ (49)	\$ 188	\$ 441	\$ 253	Sch 4, pps.8, 19 and Sch 7, pps.11, 25
25	Bad Debt	\$ 139,776	\$ 131,197	\$ (8,579)	\$ 261,030	\$ 281,317	\$ 20,287	Sch 4, pps.9, 20 and Sch 7, pps.12, 26
26	Interest on Over/Under Balance	\$ 278	\$ (99)	\$ (377)	\$ 351	\$ 963	\$ 612	Sch 4, pps.9, 20 and Sch 7, pps.12, 26
27	Totals - Peak Period - 2010/2011	\$ 31,338,096	\$ 29,339,595	\$ (1,998,500)	\$ 24,904,985	\$ 26,897,549	\$ 1,992,564	
28	Totals - All peak periods	\$ 99,022,827	\$ 94,921,047	\$ (4,101,779)	\$ 81,881,996	\$ 85,989,548	\$ 4,107,552	
29	<u>Off Peak - Nov 2008- Oct 2009:</u>							
30	Commodity Costs	\$ 3,977,459	\$ 3,980,481	\$ 3,022	\$ 3,595,126	\$ 3,592,104	\$ (3,022)	Sch 8, pps.5, 16 and Sch 11, pps.6, 18
31	Demand Costs	\$ 1,468,086	\$ 1,468,086	\$ -	\$ 1,285,602	\$ 1,285,602	\$ -	Sch 8, pps.6, 17 and Sch 11, pps.7, 19
32	Interest on Over/Under Balance	\$ 12,420	\$ 12,438	\$ 18	\$ 6,350	\$ 6,339	\$ (11)	Sch 8, pps.3, 14 and Sch 11, pps.4, 16
33	Working Capital	\$ 3,070	\$ 3,071	\$ 1	\$ 21,524	\$ 21,511	\$ (13)	Sch 8, pps.8, 19 and Sch 11, pps.9, 21
34	Interest on Over/Under Balance	\$ 79	\$ 79	\$ -	\$ (13)	\$ (13)	\$ -	Sch 8, pps.8, 19 and Sch 11, pps.9, 21
35	Bad Debt	\$ 24,519	\$ 24,532	\$ 13	\$ 51,964	\$ 51,932	\$ (32)	Sch 8, pps.9, 20 and Sch 11, pps.10, 22
36	Interest on Over/Under Balance	\$ 306	\$ 306	\$ -	\$ (21)	\$ (21)	\$ -	Sch 8, pps.9, 20 and Sch 11, pps.10, 22
37	Totals - Off-Peak Period - 2008/2009	\$ 5,485,939	\$ 5,488,993	\$ 3,054	\$ 4,960,532	\$ 4,957,454	\$ (3,078)	
38	<u>Off Peak - Nov 2009- Oct 2010:</u>							
39	Commodity Costs	\$ 3,895,166	\$ 3,863,740	\$ (31,426)	\$ 3,377,317	\$ 3,408,742	\$ 31,426	Sch 9, pps.5, 16 and Sch 12, pps.6, 18
40	Demand Costs	\$ 1,086,474	\$ 1,086,474	\$ -	\$ 1,020,599	\$ 1,020,599	\$ 0	Sch 9, pps.6, 17 and Sch 12, pps.7, 19
41	Interest on Over/Under Balance	\$ (5,937)	\$ (6,304)	\$ (367)	\$ 3,010	\$ 3,272	\$ 262	Sch 9, pps.3, 14 and Sch 12, pps.4, 16
42	Working Capital	\$ 2,810	\$ 2,792	\$ (18)	\$ 19,395	\$ 19,533	\$ 138	Sch 9, pps.8, 19 and Sch 12, pps.9, 21
43	Interest on Over/Under Balance	\$ (261)	\$ (261)	\$ -	\$ 20	\$ 22	\$ 2	Sch 9, pps.8, 19 and Sch 12, pps.9, 21
44	Bad Debt	\$ 22,430	\$ 22,289	\$ (141)	\$ 46,823	\$ 47,158	\$ 335	Sch 9, pps.9, 20 and Sch 12, pps.10, 22
45	Interest on Over/Under Balance	\$ (73)	\$ (75)	\$ (2)	\$ 22	\$ 25	\$ 3	Sch 9, pps.9, 20 and Sch 12, pps.10, 22
46	Totals - Off-Peak Period - 2009/2010	\$ 5,000,609	\$ 4,968,655	\$ (31,954)	\$ 4,467,186	\$ 4,499,352	\$ 32,166	
47	Subtotal	\$ 10,486,548	\$ 10,457,648	\$ (28,900)	\$ 9,427,718	\$ 9,456,806	\$ 29,088	
48	<u>Off Peak - Nov 2010- Oct 2011:</u>							
49	Commodity Costs	\$ 2,964,431	\$ 2,974,843	\$ 10,413	\$ 2,664,627	\$ 2,654,215	\$ (10,413)	Sch 10, pps.5, 16 and Sch 13, pps.6, 18
50	Demand Costs	\$ 1,253,424	\$ 1,253,424	\$ 0	\$ 1,267,915	\$ 1,267,915	\$ -	Sch 10, pps.6, 17 and Sch 13, pps.7, 19
51	Interest on Over/Under Balance	\$ (8,994)	\$ (9,832)	\$ (838)	\$ (3,763)	\$ (3,196)	\$ 567	Sch 10, pps.3, 14 and Sch 13, pps.4, 16
52	Working Capital	\$ 2,379	\$ 2,385	\$ 6	\$ 17,343	\$ 17,297	\$ (46)	Sch 10, pps.8, 19 and Sch 13, pps.9, 21
53	Interest on Over/Under Balance	\$ (196)	\$ (197)	\$ (1)	\$ 10	\$ 12	\$ 2	Sch 10, pps.8, 19 and Sch 13, pps.9, 21
54	Bad Debt	\$ 18,991	\$ 19,038	\$ 47	\$ 41,869	\$ 41,758	\$ (111)	Sch 10, pps.9, 20 and Sch 13, pps.10, 22
55	Interest on Over/Under Balance	\$ 37	\$ 33	\$ (4)	\$ 34	\$ 40	\$ 6	Sch 10, pps.9, 20 and Sch 13, pps.10, 22
56	Totals - Off-Peak Period - 2010/2011	\$ 4,230,072	\$ 4,239,695	\$ 9,623	\$ 3,988,035	\$ 3,978,040	\$ (9,995)	
57	Totals - All Off-Peak periods	\$ 14,716,620	\$ 14,697,343	\$ (19,277)	\$ 13,415,753	\$ 13,434,846	\$ 19,094	

Note - The following correction has already been done in Nov10-Nov11 filing as \$10,385, change due to treatment of Hedging.

Northern Utilities, Inc.
Summary of Variable Commodity Allocation Adjustments related to Company Managed Gas and LAUF (cont.)

Description (A)	New Hampshire			Maine			Reference (H)
	As Filed (B)	Updated (C)	Change (D)	As Filed (E)	Updated (F)	Change (G)	
58 Summaries by Season ¹:							
59 <u>Peak - All periods:</u>							
60 Commodity Costs	\$ 62,048,909	\$ 58,095,272	\$ (3,953,636)	\$ 44,448,111	\$ 48,401,747	\$ 3,953,636	L.2 + L.11 + L.20
61 Demand Costs	\$ 36,163,521	\$ 36,163,521	\$ -	\$ 36,153,063	\$ 36,153,063	\$ -	L.3 + L.12 + L.21
62 Interest on Over/Under Balance	\$ 308,821	\$ 181,379	\$ (127,442)	\$ 63,935	\$ 156,924	\$ 92,989	L.4 + L.13 + L.22
63 Working Capital	\$ 60,016	\$ 57,773	\$ (2,243)	\$ 355,451	\$ 372,887	\$ 17,436	L.5 + L.14 + L.23
64 Interest on Over/Under Balance	\$ (3,533)	\$ (3,610)	\$ (77)	\$ 1,016	\$ 1,425	\$ 409	L.6 + L.15 + L.24
65 Bad Debt	\$ 442,226	\$ 424,425	\$ (17,801)	\$ 858,140	\$ 900,233	\$ 42,093	L.7 + L.16 + L.25
66 Interest on Over/Under Balance	\$ 2,867	\$ 2,287	\$ (580)	\$ 2,281	\$ 3,270	\$ 989	L.8 + L.17 + L.26
67 Totals - Peak Period - All Periods	\$ 99,022,827	\$ 94,921,047	\$ (4,101,779)	\$ 81,881,996	\$ 85,989,548	\$ 4,107,552	
68 <u>Off-Peak - All periods:</u>							
69 Commodity Costs	\$ 10,837,056	\$ 10,819,064	\$ (17,991)	\$ 9,637,070	\$ 9,655,061	\$ 17,991	L.30 + L.39 + L.49
70 Demand Costs	\$ 3,807,984	\$ 3,807,984	\$ 0	\$ 3,574,116	\$ 3,574,116	\$ 0	L.31 + L.40 + L.50
71 Interest on Over/Under Balance	\$ (2,511)	\$ (3,698)	\$ (1,187)	\$ 5,597	\$ 6,415	\$ 818	L.32 + L.41 + L.51
72 Working Capital	\$ 8,259	\$ 8,248	\$ (11)	\$ 58,262	\$ 58,341	\$ 79	L.33 + L.42 + L.52
73 Interest on Over/Under Balance	\$ (378)	\$ (379)	\$ (1)	\$ 17	\$ 21	\$ 4	L.34 + L.43 + L.53
74 Bad Debt	\$ 65,940	\$ 65,859	\$ (81)	\$ 140,656	\$ 140,848	\$ 192	L.35 + L.44 + L.54
75 Interest on Over/Under Balance	\$ 270	\$ 264	\$ (6)	\$ 35	\$ 44	\$ 9	L.36 + L.45 + L.55
76 Totals - Off-Peak Period - All Periods	\$ 14,716,620	\$ 14,697,343	\$ (19,277)	\$ 13,415,753	\$ 13,434,846	\$ 19,094	
77 <u>Both Seasons - All periods:</u>							
78 Commodity Costs	\$ 72,885,964	\$ 68,914,337	\$ (3,971,627)	\$ 54,085,180	\$ 58,056,807	\$ 3,971,627	L.60 + L.69
79 Demand Costs	\$ 39,971,505	\$ 39,971,505	\$ 0	\$ 39,727,179	\$ 39,727,179	\$ 0	L.61 + L.70
80 Interest on Over/Under Balance	\$ 306,310	\$ 177,681	\$ (128,629)	\$ 69,532	\$ 163,339	\$ 93,807	L.62 + L.71
81 Working Capital	\$ 68,275	\$ 66,021	\$ (2,254)	\$ 413,713	\$ 431,228	\$ 17,515	L.63 + L.72
82 Interest on Over/Under Balance	\$ (3,911)	\$ (3,989)	\$ (78)	\$ 1,033	\$ 1,446	\$ 413	L.64 + L.73
83 Bad Debt	\$ 508,166	\$ 490,284	\$ (17,882)	\$ 998,796	\$ 1,041,081	\$ 42,285	L.65 + L.74
84 Interest on Over/Under Balance	\$ 3,137	\$ 2,551	\$ (586)	\$ 2,316	\$ 3,314	\$ 998	L.66 + L.75
85 Totals - Off-Peak Period - All Periods	\$ 113,739,446	\$ 109,618,390	\$ (4,121,056)	\$ 95,297,749	\$ 99,424,394	\$ 4,126,646	
86 Subtotal - All periods	\$ 113,739,446	\$ 109,618,390	\$ (4,121,056)	\$ 95,297,749	\$ 99,424,394	\$ 4,126,646	L.67 + L.76
87 Less: Off Peak 2011 already filed	\$ 4,230,072	\$ 4,239,695	\$ 9,623	\$ 3,988,035	\$ 3,978,040	\$ (9,995)	L. 56
88 Total - All periods not yet filed	\$ 109,509,375	\$ 105,378,695	\$ (4,130,679)	\$ 91,309,714	\$ 95,446,354	\$ 4,136,640	L. 86 - L. 87
89 <u>Interest - All Reconciling Mechanisms:</u>							
90 Peak	\$ 308,155	\$ 180,056	\$ (128,099)	\$ 67,232	\$ 161,619	\$ 94,387	L.62 + L.64 + L.66
91 Off Peak	\$ (2,619)	\$ (3,813)	\$ (1,194)	\$ 5,649	\$ 6,480	\$ 831	L.71 + L.73 + L.75