

## **MICHAEL R. SCHMIDT**

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### **QUALIFICATIONS SUMMARY**

Public utility regulatory economist with hands-on analytical and managerial experience:

- Utility ratemaking, cost of service, rate design, alternative methods of ratemaking including performance based ratemaking, project analysis, finance, forecasting and capital budgeting in the gas, electric and water industries.
- Managed numerous energy related consulting projects both domestically and overseas.
- Testified in over 60 gas and electric utility pricing cases.
- Testified on cost of service and pricing matters before various state public commissions, the Alberta Energy Board, the Energy Regulatory Board of the Philippines, the Federal Energy Regulatory Commission (FERC), the U.S. Court of Claims, the Illinois State Legislature, the Kansas State Legislature and the Superior Court of the state of Washington.
- Held supervisory responsibilities at the manager (first line) and director levels (second line) in consulting firms, investor-owned utilities, and state regulatory agencies.
- Built and worked with numerous Excel cost-of-service/rate design/financial models.
- Experience includes training on behalf of the Energy Utility Consultants (EUCI) – performance based ratemaking, American Public Power Association - rate design; staff training for the Philippines Energy Regulatory Board – cost of service/rate design/automatic adjustment clauses.
- Adjunct professor at the University of Phoenix and Golden Gate University – finance/economics/small business development.
- Masters and Doctorate degrees in public utility economics and transportation.
- Undergraduate degrees in physics (electronics/electrical theory) and math.
- Accomplished author – six books on public utility pricing and other issues; numerous articles.

Resume – Michael R. Schmidt

## **CAREER HIGHLIGHTS**

### **LIBERTY UTILITIES, Oakville, Ontario 2012 – present**

**National Rates Advisor:** Liberty Utilities (Canada) Corp. providing services as a Rates Advisor. In this capacity I advise the regulated operating companies of Liberty Utilities Company, including Granite State, on pricing matters and participate in their rate cases.

- Prepared cost of service and rate design for Algonquin Water Resources of Missouri, LLC d/b/a Liberty Utilities.
- Prepared report on pension and PBOP benefits.

### **KANSAS CORPORATION COMMISSION, Topeka, KS 2010 - 2012**

**Director, Utility Division:** Political appointee providing services as Utility Director. Directed a staff of 45 accountants, economists, and engineers in the regulation of electric, gas, telephone, water utilities. Also responsible for pipeline safety in the state of Kansas. Five direct reports – Audit, Economics, Utility Operations, Telecommunications, and Pipeline Safety. My approach was to strive for a balance among residential consumers (reasonable rates), industry (cost based rates), and utility shareholders (the need to attract and reward capital investment).

- Interact daily in developing Staff (training/delegating/assignments/strategy/hiring).
- Routinely met with utility management, Staff and utility attorneys, and government staff/officials.
- Negotiate settlements with utilities, identify litigation issues, and prepare and/or direct Staff testimony.
- Prepare and direct testimony in major rate cases, prudence reviews, certificate of need proceedings for transmission and generation upgrades.
- Met with and advised the Commissioners on various technical issues – energy efficiency (emphasis on cost effective programs), major rate design overhaul (elimination of promotional rates, increases in fixed charges), telecommunications subsidies (Universal Service Fund and the Kansas Universal Service Fund), and cost of capital.

### **CLECO POWER, Pineville, LA 2008 – 2009**

**Manager Regulatory Planning:** Consultant for Cleco Power providing services to prepare and file a general rate case – first in 20 years. Worked with the AMI initiative, and proposed an RPS standard and energy conservation alternatives.

### **SEMPRA ENERGY (Southern California Gas and San Diego Gas & Electric), San Diego, CA 1998 – 2008 (retired)**

**Regulatory Strategy Manager (2000-2008):** As part of management largest gas and electric utilities in the country, assignments included preparing expert witness testimony and developing pricing policy alternatives including performance based ratemaking; responses to Federal and California Commission initiatives including supply planning, green house gas emissions, transmission pricing and renewable energy.

- Developed an opposition report on a major municipalization initiative and created new line extension policies
- Active in Company's conservation, energy efficiency initiatives
- Published article on Company's energy efficiency efforts and ways to enhance earnings
- Case management
- Testified in various rate, conservation, line extension, and economic impact cases
- Developed Excel based models for cost of service and cost allocation

**Regulatory Policy Leader (1998-2000):** Intense involvement with the gas industry and its challenges while resolving uses involving direct access, the power markets, and the ISO on the electric side. The wholesale power market was brutalized in California, dominated by few suppliers, market restrictions on long-term contracts, anti-trust challenges, price caps at the retail but not at the wholesale level, and unchecked market participants.

**NEVADA POWER COMPANY, Las Vegas, NV  
1995 - 1998**

**Director of Pricing and Economic Analysis:** Responsible resolving all rate related issues including virtually daily interaction with customers, consumer groups, the rate advisory committee, the Nevada Public Service Commission and the news media during a period of unprecedented growth, abnormally high cost increases, and rate design challenges as well as overseeing a staff of 12 associates.

- Handled intense pressure from large customers to obtain direct access to alternative suppliers
- Negotiated pricing alternatives with major casino developers that threatened self-generation.
- Developed staff training program

**RESOURCE MANAGEMENT INTERNATIONAL(Now Part of Navigant Consulting),  
Sacramento, CA  
1987 - 1995**

**Director of Regulatory Economics:** Completed a number of consulting assignments in the Philippines, Israel, and Indonesia which involved the economic benefits and ratemaking associated with the construction of utility infrastructure calculating benefit/cost, shadow pricing, opportunity costs, currency and political risk, transfer pricing, hyper-inflation, and performance risks.

- Represented domestic clients in rate cases before various state regulatory agencies, the FERC, District Courts, and City Councils. Supervised rates department staff.
- As Project Manager was responsible for advising clients regarding transmission access and pricing, independent power production pricing, and other ratemaking issues for the Energy Regulatory Board of the Philippines including developing a regulatory model that could be used as a long-term goal in a

Resume – Michael R. Schmidt

competitive power market. The World Bank funded project included transmission access issues, stand-by generation policies, automatic adjustment for changes in fuel costs, and the calculation of avoided costs for the purchase of cogenerated power.

- Completed a four-year General Services Administration contract involving preparing for and testifying in several electric and gas utility rate cases.

## **RW BECK & ASSOCIATES (now part of SAIC), Seattle, WA**

### **Associate and Manager Analytical Section**

Rate case intervention on behalf of large industrial clients. Supervised analytical department. Elected an Associate of the firm by the Partners.

- Served as lead economist for a feasibility study of developing a proposed \$7 billion hydroelectric project in the Middle East including developing shadow prices for project inputs, evaluated electric load forecasts, calculated benefit cost ratios, and project cash flows under various scenarios. Recommended that the project not be pursued.
- Participated in numerous municipal bond financings, working with utility management, bond council, underwriters, and bond rating agencies to ensure companies rates supported financial success of the projects.
- Prepared cost of service studies for electric and water utilities.

## **ILLINOIS COMMERCE COMMISSION**

### **Manager Policy Analysis and Research**

Implementation of the requirements of PURPA. Supervised Policy and Research staff.

- Provided testimony on marginal cost pricing which included a discussion of the theory of marginal cost, various methods for reconciling marginal cost-based revenues, and problems with the development of marginal cost data.
- Developed uniform fuel adjustment and PGA clauses.

## **EDUCATION**

Ph.D. in Business Administration – Indiana University, Bloomington, IN  
(Double major in Transportation/Public Utilities and Economics/Public Policy)  
MBA in Finance and Public Utility Management – Indiana University, Bloomington, IN  
Special Program in Engineering Economy for Public Utilities - Stanford University  
Leadership Development for Executives – University of Southern California  
BA in Business Administration (in Finance & Accounting) - University of Minnesota  
BS in Physics/Math (Electronics, Electrical Theory, and Mathematics) - University of Minnesota

## **PUBLICATIONS**

**Published 6 books on utility issues:**

Resume – Michael R. Schmidt

*Automatic Adjustment Clauses, Theory and Practice* – Michigan State University Press 1980;  
*Rate Design for Public Power Systems* (co-author) – American Public Power Association 1984;  
*Valuing an Electric Utility: Theory and Application* (co-author), Public Utilities Reports, Inc (1999)  
*Performance Based Ratemaking: Theory and Application*, Public Utilities Reports, Inc (2000)  
*Implementing Retail Energy Competition: Making the Transition*, Public Utilities Reports, Inc (2001)  
*Energy Services Outsourcing - the Opportunities and Challenges* (lead author), Public Utilities Reports, Inc (2002)

**Recent articles include:**

“Ratemaking by Formula,” Public Utilities Fortnightly, March 2010.

"Earning on Conservation," Public Utilities Fortnightly, December 2007, p. 30

"Can You ESO?" Energy Customer Management, November/December 2002, p. 24

"California's Power Gamble: Long-term Contracts, Locked-in Risk," Public Utilities Fortnightly, May 15, 2001

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Index **Granite State Electric Company**  
vFINAL **Index to Revenue Requirements Schedules**  
IN **Test Year Ended Dec. 31, 2012**

**ATTACHMENT CGM/MRS-2**

<b>Line</b>	<b>Title</b>	<b>Reference</b>
1	Computation of Revenue Deficiency and Revenue Requirement	<a href="#">Schedule RR-1</a>
2	Computation of Gross-up Factor for Revenue Requirement	<a href="#">Schedule RR-1-1</a>
3	Reconciliation of Proposed Increase	<a href="#">Schedule RR-1-2</a>
4	Operating Income Statement	<a href="#">Schedule RR-2</a>
5	Operating Income Statement- Detail	<a href="#">Schedule RR-2-1</a>
6	Summary of Adjustments	<a href="#">Schedule RR-3</a>
7	Balance Sheets	<a href="#">Schedule RR-4</a>
8	Rate Base	<a href="#">Schedule RR-5</a>
9	Rate Base Quarterly Balances	<a href="#">Schedule RR-5-1</a>
10	Materials & Supplies	<a href="#">Schedule RR-5-2</a>
11	Cash Working Capital	<a href="#">Schedule RR-5-3</a>
12	Rate Base Adjustments-Capital Additions	<a href="#">Schedule RR-5-4</a>
13	Rate Base Adjustments- Plant-Related ADIT	<a href="#">Schedule RR-5-5</a>
14	Rate Base Adjustments- Actual ADIT on Historical Assets	<a href="#">Schedule RR-5-6</a>
15	Rate Base Adjustments- Pro Forma ADIT on Historical Assets (Absent Acquisition)	<a href="#">Schedule RR-5-7</a>
16	Rate Base Adjustments- ADIT on Post-Acquisition Additions	<a href="#">Schedule RR-5-8</a>
17	Weighted Average Cost of Capital	<a href="#">Schedule RR-6</a>
18	Weighted Average Cost of Long-Term Debt	<a href="#">Schedule RR-6-1</a>
19	Historical Capital Structure and Capitalization Ratios	<a href="#">Schedule RR-6-2</a>
20	Rate Case Expense	<a href="#">Schedule RR-7</a>
21		

Index **Granite State Electric Company**  
vFINAL **Index to Revenue Requirements Schedules**  
IN **Test Year Ended Dec. 31, 2012**

**ATTACHMENT CGM/MRS-2**

<b>Line</b>	<b>Title</b>	<b>Reference</b>
22	Adjustments	
23	Adjustment 01- Payroll Expense	<a href="#">Schedule RR-3-01</a>
24	Adjustment 02- Payroll Taxes	<a href="#">Schedule RR-3-02</a>
25	Adjustment 03- Pension and Benefits Expense	<a href="#">Schedule RR-3-03</a>
26	Adjustment 04- Property and Liability Insurance	<a href="#">Schedule RR-3-04</a>
27	Adjustment 05- Leased Vehicles	<a href="#">Schedule RR-3-05</a>
28	Adjustment 06- General Inflation	<a href="#">Schedule RR-3-06</a>
29	Adjustment 07- Non-Recurring Costs in Test Year- Pre-Acquisition	<a href="#">Schedule RR-3-07</a>
30	Adjustment 08- Non-Recurring Costs in Test Year- Post-Acquisition (TSA)	<a href="#">Schedule RR-3-08</a>
31	Adjustment 09- NOT USED	<a href="#">Schedule RR-3-09</a>
32	Adjustment 10- Major Storm Reserve Fund	<a href="#">Schedule RR-3-10</a>
33	Adjustment 11- Depreciation Annualization and Rates	<a href="#">Schedule RR-3-11</a>
34	Adjustment 12- Depreciation Reserve Deficiency Amortization	<a href="#">Schedule RR-3-12</a>
35	Adjustment 13- Algonquin / Liberty Support Costs	<a href="#">Schedule RR-3-13</a>
36	Adjustment 14- Property Taxes	<a href="#">Schedule RR-3-14</a>
37	Adjustment 14- Support- Property Taxes	<a href="#">Schedule RR-3-14A</a>
38	Adjustment 15- Other Revenue	<a href="#">Schedule RR-3-15</a>
39	Adjustment 16- Rate Case Expense	<a href="#">Schedule RR-3-16</a>
40	Adjustment 17- Income Tax Expense- Test Year Actual	<a href="#">Schedule RR-3-17</a>
41	Adjustment 18- Income Tax Expense- Test Year Adjusted at Current Rates	<a href="#">Schedule RR-3-18</a>
42	Adjustment 19- Revenue at Current Rates	<a href="#">Schedule RR-3-19</a>
43	Adjustment 20- Bad Debt Expense	<a href="#">Schedule RR-3-20</a>



RR-1 Granite State Electric Company  
vFINAL Computation of Revenue Deficiency and Revenue Requirement  
RR Test Year With Known and Measurable Changes

Schedule RR-1

Line	Description	Reference	Amount
1	Rate Base	Schedule RR-5	66,775,043
2			
3	Target Rate of Return on Rate Base	Schedule RR-6	8.32%
4			
5	Operating income requirement	Line 1 X Line 3	5,555,684
6			
7	Operating income at present rates	Schedule RR-2	(2,825,260)
8			
9	Operating income deficiency	Line 5 - Line 7	8,380,943
10			
11	Gross-up Factor for Additional income taxes and Bad Debt expense	Schedule RR-1-1	1.6906
12			
13	Revenue deficiency	Line 9 X Line 11	14,168,940
14			
15	Bad Debt % of Revenue	Schedule RR-1-1	0.54%
16	Additional Bad Debt expense required	Line 13 X Line 15	76,216
17	Additional income taxes required	Line 13 - Line 9 - Line 16	5,711,781
18			
19	Distribution Revenue at Present Rates	Schedule RR-2	26,671,758
20			
21	% Increase needed	Line 13 / Line 19	53.12%
22			
23	Revenue with increase	Schedule RR-2	40,840,699
24			
25	% Increase needed- Total Oper Revenue		18.04%

RR-1-1 Granite State Electric Company  
vFINAL Computation of Gross-up Factor for Revenue Requirement  
RR Test Year With Known and Measurable Changes

Schedule RR-1-1

Line	Description	Reference	Rate	Factor
1	Federal income tax rate		35.00%	
2				
3	New Hampshire state income tax rate		8.50%	
4				
5	Combined income tax rate	Line 1 + Line3 - (Line 1 X Line 3)	40.53%	
6				
7	Gross-up for Income Tax	1 / (1 - Line 5)		1.6815
8				
9	Bad Debt Expense (% of Revenue)	RR-3-20	0.54%	
10				
11	Gross-up for Bad Debt Expense	1 / (1 - Line 9)		1.0054
12				
13	Total Gross-up Factor	Line 7 X Line 11		1.6906

RR Test Year With Known and Measurable Changes

Schedule RR-2

Source

Line Account	Test Year Ended Dec. 31, 2012	Flow-Through Items	Distribution Operating Income	Normalizing Adjustments	Test Year Normalized	Known and Measurable Adjustments	Test Year At Current Rates	Proposed Increase	Distribution Operating Income With Proposed Increase
<b>1 Operating Revenue</b>									
2 Distribution	23,869,650		23,869,650	0	23,869,650	795,451	24,665,101	14,168,940	38,834,041
3 Flow-through revenue	51,884,582	(51,884,582)	0	0	0	0	0	0	0
4 Other operating revenue	2,002,514		2,002,514	0	2,002,514	4,144	2,006,658		2,006,658
<b>5</b>	<b>77,756,745</b>	<b>(51,884,582)</b>	<b>25,872,164</b>	<b>0</b>	<b>25,872,164</b>	<b>799,595</b>	<b>26,671,758</b>	<b>14,168,940</b>	<b>40,840,699</b>
<b>6</b>									
<b>7 Operating Expenses</b>									
8 Purchased Power	36,839,918	(36,839,918)	0	0	0	0	0	0	0
9 Transmission Expenses-O&M	15,296,399	(15,301,182)	(4,783)	0	(4,783)	0	(4,783)		(4,783)
10 Distribution O&M	5,319,666		5,319,666	(1,161,208)	4,158,458	1,825,213	5,983,671		5,983,671
11 Customer Accounting	1,322,827		1,322,827	(120,408)	1,202,419	1,124,831	2,327,251		2,327,251
12 Customer Service & Information	174,901		174,901	(146,535)	28,367	100,193	128,559	76,216	204,775
13 Administrative & General	12,266,980		12,266,980	(2,721,115)	9,545,866	4,332,795	13,878,660		13,878,660
14 Depreciation Expense	4,867,174		4,867,174	316,017	5,183,192	300,024	5,483,216		5,483,216
15 General Taxes	3,166,041		3,166,041	137,992	3,304,032	285,385	3,589,418		3,589,418
16 Income Taxes	(774,408)		(774,408)	1,754,470	980,062	(2,905,533)	(1,925,471)	5,711,781	3,786,310
17 Revenue Taxes	0		0	0	0	0	0		0
18 Interest on Customer Deposits	36,499		36,499	0	36,499	0	36,499		36,499
<b>19 Total Expenses</b>	<b>78,515,996</b>	<b>(52,141,100)</b>	<b>26,374,896</b>	<b>(1,940,786)</b>	<b>24,434,111</b>	<b>5,062,907</b>	<b>29,497,018</b>	<b>5,787,997</b>	<b>35,285,015</b>
<b>20</b>									
<b>21 Net operating income (loss)</b>	<b>(759,251)</b>	<b>256,518</b>	<b>(502,733)</b>	<b>1,940,786</b>	<b>1,438,053</b>	<b>(4,263,313)</b>	<b>(2,825,260)</b>	<b>8,380,943</b>	<b>5,555,684</b>
22 Check	(759,251)	256,518		1,940,786		(4,263,313)	(2,825,260)		5,555,684
23									
24 Rate Base			97,377,922		97,377,922	(30,602,879)	66,775,043		66,775,043
25									
26 Rate of Return on Rate Base					<b>1.48%</b>		<b>(4.23%)</b>		<b>8.32%</b>
27 Rate of Return Base on Filled Rate Base					40.53%		40.53%		40.53%
28 Income tax rate									

Schedule RR-2		<i>From FERC Form 1</i>	
Line	Account	Calendar Year 2011	Calendar Year 2010
1	<b>Operating Revenue</b>		
2	Distribution	21,226,000	21,078,000
3	Flow-through revenue	280,000	(189,000)
4	Other operating revenue	3,349,000	3,433,000
5		<b>24,855,000</b>	<b>24,322,000</b>
6			
7	<b>Operating Expenses</b>		
8	Purchased Power		
9	Transmission Expenses-O&M		
10	Distribution O&M	5,816,000	3,593,000
11	Customer Accounting	1,728,000	1,781,000
12	Customer Service & Information	290,000	203,000
13	Administrative & General	7,149,000	6,966,000
14	Depreciation Expense	4,789,000	4,539,000
15	General Taxes	3,283,000	2,934,000
16	Income Taxes	242,000	1,550,000
17	Revenue Taxes		
18	Interest on Customer Deposits		
19	<b>Total Expenses</b>	<b>23,297,000</b>	<b>21,566,000</b>
20			
21	<b>Net operating income (loss)</b>	<b>1,558,000</b>	<b>2,756,000</b>
22	<i>Check</i>		
23			
24	Rate Base	86,698,404	78,786,552
25			
26	Rate of Return on Rate Base	<b>1.80%</b>	<b>3.50%</b>
27	Rate of Return Basde on Filed Rat		
28	Income tax rate		

RR-2-1 Granite State Electric Company  
vFINAL Operating Income Statement- Detail  
RR Test Year Ended Dec. 31, 2012  
Test Year With Known and Measurable Changes  
Schedule RR-2-1

Line	Account	Acct. No.	Source	Test Year Ended Dec. 31, 2012	Flow-Through Items	Distribution Operating Income	Normalizing Adjustments	Test Year Normalized	Known and Measurable Adjustments	At Current Rates	
										Test Year At	Current Rates
1	<b>Purchased Power</b>	555		36,839,918	(36,839,918)	0	0	0	0	0	0
2											
3	Transmission- Open Access			15,301,182	(15,301,182)	0	0	0	0	0	0
4	Transmission- Other			(4,783)		(4,783)	0	(4,783)	0	(4,783)	(4,783)
5	<b>Transmission Expenses-O&amp;M</b>			15,296,399	(15,301,182)	(4,783)	0	(4,783)	0	(4,783)	(4,783)
6											
7	<b>Distribution O&amp;M</b>										
8	Supervision & Eng	580		105,786		105,786	(32,805)	72,981	60,613	133,593	133,593
9	Load Dispatching	581		570,698		570,698	(26,430)	544,268	318,628	862,896	862,896
10	Substations	582		201,093		201,093	(45,013)	156,080	23,494	179,574	179,574
11	Overhead Lines	583		615,857		615,857	(125,758)	490,099	223,795	713,894	713,894
12	Underground Lines	584		81,063		81,063	(16,234)	64,830	14,497	79,327	79,327
13	Outdoor Lighting	585		10,422		10,422	(12,101)	(1,679)	5,120	3,442	3,442
14	Electric Meters	586		103,492		103,492	(99,843)	3,649	46,735	50,384	50,384
15	Customer Installation	587		47,565		47,565	(56,000)	(8,436)	23,785	15,349	15,349
16	Misc Expenses	588		472,357		472,357	(295,826)	176,531	413,044	589,575	589,575
17	Rents	589		2,161		2,161	0	2,161	0	2,161	2,161
18	Supervision & Eng	590		59		59	(55)	4	10	14	14
19	Structures	591		4,370		4,370	(4,925)	(556)	2,138	1,583	1,583
20	Substations	592		43,149		43,149	(37,266)	5,882	15,691	21,573	21,573
21	Substations-Trouble	592		10,283		10,283	0	10,283	3,739	14,022	14,022
22	Overhead Lines	593		1,581,308		1,581,308	(332,666)	1,248,641	325,686	1,574,328	1,574,328
23	OH Lines-Trouble	593		379,726		379,726	0	379,726	89,664	469,390	469,390
24	OH Lines-Veg Mgmt	593		939,445		939,445	0	939,445	221,829	1,161,275	1,161,275
25	Underground Lines	594		47,957		47,957	(18,311)	29,646	12,395	42,041	42,041
26	Line Transformers	595		37,445		37,445	(4,992)	32,453	4,151	36,605	36,605
27	Outdoor Lighting	596		62,969		62,969	(52,283)	10,685	20,060	30,745	30,745
28	Misc Distr Plant	597		2,462		2,462	(700)	1,763	137	1,900	1,900
29	<b>Total Distribution O&amp;M</b>			5,319,666	0	5,319,666	(1,161,208)	4,158,458	1,825,213	5,983,671	5,983,671
30											
31	<b>Customer Accounting</b>										
32	Supervision	901		9,724		9,724	(8,455)	1,268	4,988	6,256	6,256

RR-2-1 Granite State Electric Company  
vFINAL Operating Income Statement- Detail  
RR Test Year Ended Dec. 31, 2012  
Test Year With Known and Measurable Changes  
Schedule RR-2-1

Line	Account	Acct. No.	Source	Test Year Ended Dec. 31, 2012	Flow-Through Items	Distribution Operating Income	Normalizing Adjustments	Test Year Normalized	Known and Measurable Adjustments	Test Year At Current Rates
33	Meter Reading	902		529,994		529,994	(81,970)	448,023	247,843	695,867
34	Customer Records & Collection	903		448,716		448,716	(117,343)	331,373	870,709	1,202,082
35	Uncollectible Accounts	904		326,926		326,926	89,176	416,102	0	416,102
36	Uncollectible Accounts- Commodity	904		0		0	0	0	0	0
37	Misc Expenses	905		7,467		7,467	(1,815)	5,653	1,291	6,943
38	Total Customer Accounting			1,322,827	0	1,322,827	(120,408)	1,202,419	1,124,831	2,327,251
39										
40	<b>Customer Service &amp; Information</b>									
41	Cust Service-Supervision	907		37		37	0	37	0	37
42	Cust Assistance Expenses	908		84,858		84,858	(143,232)	(58,374)	48,622	(9,753)
43	Cust Service-Misc Expenses	910		90,006		90,006	(3,302)	86,704	51,571	138,275
44	Total Customer Service & Info.			174,901	0	174,901	(146,535)	28,367	100,193	128,559
45	Total Customer Accounts			1,497,728	0	1,497,728	(266,942)	1,230,786	1,225,024	2,455,810
46										
47	<b>Administrative &amp; General</b>									
48	A&G-Salaries	920		2,196,920		2,196,920	(644,816)	1,552,104	963,330	2,515,434
49	A&G-Office Supplies	921		1,136,866		1,136,866	(58,300)	1,078,565	51,443	1,130,008
50	A&G-Outside Services Employed	923		3,595,737		3,595,737	(1,056,323)	2,539,414	(811,923)	1,727,492
51	Property Insurance	924		2,145,707		2,145,707	(2,554)	2,143,154	656,846	2,800,000
52	Injuries & Damages Insurance	925		427,811		427,811	(28,716)	399,096	81,292	480,388
53	Employee Pensions & Benefits	926		2,017,840		2,017,840	(894,631)	1,123,208	2,966,130	4,089,338
54	Regulatory Comm Expenses	928		535,251		535,251	(18,594)	516,657	403,643	920,300
55	A&G-Institutional/Goodwill Adv	930		18,211		18,211	(7,818)	10,393	2,958	13,351
56	A&G-Misc Expenses	930		83,566		83,566	0	83,566	13,574	97,140
57	A&G-Rents	931		94,492		94,492	0	94,492	0	94,492
58	A&G Maint-General Plant-Elec	935		14,578		14,578	(9,362)	5,217	5,501	10,718
59	Total Administrative & General			12,266,980	0	12,266,980	(2,721,115)	9,545,866	4,332,795	13,878,660
60	Total O&M Expense			71,220,691	(52,141,100)	19,079,591	(4,149,265)	14,930,326	7,383,031	22,313,357
61										
62	<b>Depreciation Expense</b>									
63	Intangible assets			0		0	0	0	0	0
64	Land Rights, Substations, Structures			282,609		282,609	72,068	354,678	(123,248)	231,430

RR-2-1 Granite State Electric Company  
vFINAL Operating Income Statement- Detail  
RR Test Year Ended Dec. 31, 2012  
Test Year With Known and Measurable Changes  
Schedule RR-2-1

Line Account	Acct. No.	Source	Test Year Ended Dec. 31, 2012	Flow-Through Items	Distribution Operating Income	Normalizing Adjustments	Test Year Normalized	Known and Measurable Adjustments	Test Year At Current Rates
65		Poles, Towers, Fixtures	560,890		560,890	(242,876)	318,014	134,425	452,439
66		Overhead Conductors	558,067		558,067	352,715	910,782	(47,458)	863,323
67		Underground Conduits & Conductors	171,180		171,180	79,274	250,454	(81,440)	169,013
68		Line Transformers	361,624		361,624	231,149	592,773	48,792	641,565
69		Services	163,501		163,501	(26,290)	137,211	9,645	146,856
70		Meters	97,744		97,744	13,464	111,209	77,187	188,396
71		Lighting	114,725		114,725	(112,115)	2,610	52,342	54,952
72		Other	2,556,835		2,556,835	(51,372)	2,505,463	229,778	2,735,241
73		Total Depreciation Expense	4,867,174	0	4,867,174	316,017	5,183,192	300,024	5,483,216
74									
75		<b>General Taxes</b>							
76	2.30%	Municipal tax	2,778,746		2,778,746	302,009	3,080,755	103,603	3,184,358
77		Payroll tax	387,295		387,295	(164,017)	223,277	181,782	405,060
78		Other tax	0		0	0	0	0	0
79		Total General taxes	3,166,041	0	3,166,041	137,992	3,304,032	285,385	3,589,418
80									
81		<b>Income Taxes</b>							
82		FIT Expense	(357,780)		(357,780)	1,754,470	1,396,691	(2,905,533)	(1,508,843)
83		SIT Expense	(416,629)		(416,629)	0	(416,629)		(416,629)
84		Total Income Tax	(774,408)	0	(774,408)	1,754,470	980,062	(2,905,533)	(1,925,471)
85									
86		<b>Revenue Taxes</b>	0		0	0	0	0	0
87									
88		<b>Interest on Customer Deposits</b>	36,499		36,499	0	36,499	0	36,499
89									
90		<b>Total Expenses</b>	<b>78,515,996</b>	<b>(52,141,100)</b>	<b>26,374,896</b>	<b>(1,940,786)</b>	<b>24,434,111</b>	<b>5,062,907</b>	<b>29,497,018</b>
91									
92		<b>Operating Revenue</b>							
93	456Dx	Distribution	23,869,650		23,869,650	0	23,869,650	795,451	24,665,101
94	440	Commodity	36,665,612	(36,665,612)	0	0	0	0	0
95	456Tx	Wholesale Transmission	15,218,970	(15,218,970)	0	0	0	0	0
96	450	Forfeited discounts	117,251		117,251	0	117,251	17,588	134,839

RR-2-1 Granite State Electric Company  
vFINAL Operating Income Statement- Detail  
RR Test Year Ended Dec. 31, 2012  
Test Year With Known and Measurable Changes  
Schedule RR-2-1

Line Account	Acct. No.	Source	Test Year Ended Dec. 31, 2012	Flow-Through Items	Distribution Operating Income	Normalizing Adjustments	Test Year Normalized	Known and Measurable Adjustments	At Current Rates	
									Test Year At Current Rates	Test Year At Current Rates
97	Misc. service revenue	451	303,243		303,243	0	303,243	(67,543)	235,700	
98	Rent from Electric property	454	283,642		283,642	0	283,642	0	283,642	
99	Other revenue	456	965,880		965,880	0	965,880	0	965,880	
100	Border/Fairpoint		165,571		165,571	0	165,571	54,099	219,670	
101	Miscellaneous revenue		166,926		166,926	0	166,926	0	166,926	
102			<b>77,756,745</b>	<b>(51,884,582)</b>	<b>25,872,164</b>	<b>0</b>	<b>25,872,164</b>	<b>799,595</b>	<b>26,671,758</b>	
103										
104	<b>Net operating income (loss)</b>		<b>(759,251)</b>	<b>256,518</b>	<b>(502,733)</b>	<b>1,940,786</b>	<b>1,438,053</b>	<b>(4,263,313)</b>	<b>(2,825,260)</b>	
105	<i>Check</i>		<i>(759,251)</i>		<i>(502,733)</i>	<i>1,940,786</i>	<i>1,438,053</i>	<i>(4,263,313)</i>	<i>(2,825,260)</i>	
106	<b>Rate of Return on Rate Base</b>		<b>(0.8%)</b>		<b>(0.5%)</b>		<b>1.5%</b>		<b>(4.2%)</b>	



RR-3 Granite State Electric Company  
vFIN Summary of Adjustments  
RR To Test Year Ended Dec. 31, 2012  
Schedule RR-3

Line	Account	Acct. No.	Total	Payroll Expense	Payroll Taxes	Pension and Benefits Expense	Property and Liability Insurance	Leased Vehicles	General Inflation	Non-Recurring Costs in Test Year- Pre-Acquisition
1	<b>Purchased Power</b>	555	0	0						
2										
3	Transmission- Open Access		0	0						
4	Transmission- Other		0	0						
5	<b>Transmission Expenses-O&amp;M</b>		0	0	0	0	0	0	0	0
6										
7	<b>Distribution O&amp;M</b>									
8	Supervision & Eng	580	27,808	60,613						(32,805)
9	Load Dispatching	581	292,198	318,628						(26,430)
10	Substations	582	(21,519)	23,494						(45,013)
11	Overhead Lines	583	98,037	223,795						(125,758)
12	Underground Lines	584	(1,737)	14,497						(16,234)
13	Outdoor Lighting	585	(6,981)	5,120						(12,101)
14	Electric Meters	586	(53,108)	46,735						(99,843)
15	Customer Installation	587	(32,215)	23,785						(56,000)
16	Misc Expenses	588	117,218	160,756				252,288		(295,826)
17	Rents	589	0	0						
18	Supervision & Eng	590	(45)	10						(55)
19	Structures	591	(2,787)	2,138						(4,925)
20	Substations	592	(21,575)	15,691						(37,266)
21	Substations-Trouble	592	3,739	3,739						
22	Overhead Lines	593	(6,980)	373,391						(332,666)
23	OH Lines-Trouble	593	89,664	89,664						
24	OH Lines-Veg Mgmt	593	221,829	221,829						
25	Underground Lines	594	(5,917)	12,395						(18,311)
26	Line Transformers	595	(840)	4,151						(4,992)
27	Outdoor Lighting	596	(32,223)	20,060						(52,283)
28	Misc Distr Plant	597	(562)	137						(700)
29	<b>Total Distribution O&amp;M</b>		664,004	1,620,630	0	0	0	252,288	0	(1,161,208)
30										

RR-3 Granite State Electric Company  
vFIN Summary of Adjustments  
RR To Test Year Ended Dec. 31, 2012  
Schedule RR-3

Line	Account	Acct. No.	Total	Payroll Expense	Payroll Taxes	Pension and Benefits Expense	Property and Liability Insurance	Leased Vehicles	General Inflation	Non-Recurring Costs in Test Year- Pre-Acquisition
31	<b>Customer Accounting</b>									
32	Supervision	901	(3,467)	4,988						(8,455)
33	Meter Reading	902	165,873	247,843						(81,970)
34	Customer Records & Collection	903	753,366	134,857						(117,343)
35	Uncollectible Accounts	904	89,176	0						
36	Uncollectible Accounts- Commodity	904	0	0						
37	Misc Expenses	905	(524)	1,291						
38	<i>Total Customer Accounting</i>		1,004,424	388,979	0	0	0	0	0	(1,815)
39										(209,583)

**Customer Service & Information**

40	Cust Service-Supervision	907	0	0						
41	Cust Assistance Expenses	908	(94,611)	48,622						(143,232)
42	Cust Service-Misc Expenses	910	48,269	51,571						(3,302)
43	<i>Total Customer Service &amp; Info.</i>		(46,342)	100,193	0	0	0	0	0	(146,535)
44	<i>Total Customer Accounts</i>		958,082	489,172	0	0	0	0	0	(356,118)

**Administrative & General**

47	A&G-Salaries	920	318,514	1,021,557						(644,816)
48	A&G-Office Supplies	921	(6,857)	22				61,525		(58,300)
49	A&G-Outside Services Employed	923	(1,868,246)	73						(1,056,323)
50	Property Insurance	924	654,293	0						(2,554)
51	Injuries & Damages Insurance	925	52,576	0			81,292			(28,716)
52	Employee Pensions & Benefits	926	2,071,498	0		2,966,130				(894,631)
53	Regulatory Comm Expenses	928	385,049	13,643						(18,594)
54	A&G-Institutional/Goodwill Adv	930	(4,860)	2,958						(7,818)
55	A&G-Misc Expenses	930	13,574	13,574						
56	A&G-Rents	931	0	0						
57	A&G-Maint-General Plant-Elec	935	(3,860)	5,501						(9,362)
58	<i>Total Administrative &amp; General</i>		1,611,680	1,057,329	0	2,966,130	81,292	0	61,525	(2,721,115)
59	<i>Total O&amp;M Expense</i>		3,233,766	3,167,130	0	2,966,130	81,292	252,288	61,525	(4,238,441)

RR-3 Granite State Electric Company  
vFIN Summary of Adjustments  
RR To Test Year Ended Dec. 31, 2012  
Schedule RR-3

Line	Account	Acct. No.	Total	Payroll Expense	Payroll Taxes	Pension and Benefits Expense	Property and Liability Insurance	Leased Vehicles	General Inflation	Non-Recurring Costs in Test Year- Pre-Acquisition
			2,322,527	3,167,130	181,782	2,966,130	81,292	252,288	61,525	(4,402,458)
			<i>% Normalizing</i>							100.0%
62	<b>Depreciation Expense</b>									
63	Intangible assets		0	0						
64	Land Rights, Substations, Structures		(51,179)	0						
65	Poles, Towers, Fixtures		(108,450)	0						
66	Overhead Conductors		305,257	0						
67	Underground Conduits & Conductors		(2,166)	0						
68	Line Transformers		279,941	0						
69	Services		(16,645)	0						
70	Meters		90,652	0						
71	Lighting		(59,773)	0						
72	Other		178,406	0						
73	<i>Total Depreciation Expense</i>		616,042	0	0	0	0	0	0	0
74										
75	<b>General Taxes</b>									
76	Municipal tax		405,612	0						
77	Payroll tax		17,765	0	181,782					(164,017)
78	Other tax		0	0						
79	Total General taxes		423,377	0	181,782	0	0	0	0	(164,017)
80										
81	<b>Income Taxes</b>									
82	FIT Expense		(1,151,063)	0						
83	SIT Expense		0	0						
84	Total Income Tax		(1,151,063)	0	0	0	0	0	0	0
85										
86	<b>Revenue Taxes</b>									
87										
88	<b>Interest on Customer Deposits</b>									
89										
90	<b>Total Expenses</b>		3,122,122	3,167,130	181,782	2,966,130	81,292	252,288	61,525	(4,402,458)
91										

RR-3 Granite State Electric Company  
vFIN Summary of Adjustments  
RR To Test Year Ended Dec. 31, 2012  
Schedule RR-3

Line	Account	Acct. No.	Total	Payroll Expense	Payroll Taxes	Pension and Benefits Expense	Property and Liability Insurance	Leased Vehicles	General Inflation	Non-Recurring Costs in Test Year- Pre-Acquisition
			2,322,527	3,167,130	181,782	2,966,130	81,292	252,288	61,525	(4,402,458)
			<i>% Normalizing</i>	-	-	-	-	-	-	100.0%
92	<b>Operating Revenue</b>									
93	Distribution	456Dx	795,451							
94	Commodity	440	0							
95	Wholesale Transmission	456Tx	0							
96	Forfeited discounts	450	17,588							
97	Misc. service revenue	451	(67,543)							
98	Rent from Electric property	454	0							
99	Other revenue	456	0							
100	Border/Fairpoint		54,099							
101	Miscellaneous revenue		0							
102			<b>799,595</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
103										
104	<b>Net operating income (loss)</b>		<b>(2,322,527)</b>	<b>(3,167,130)</b>	<b>(181,782)</b>	<b>(2,966,130)</b>	<b>(81,292)</b>	<b>(252,288)</b>	<b>(61,525)</b>	<b>4,402,458</b>
105										

RR-3 Granite State Electric Company  
vFIN Summary of Adjustments

RR To Test Year Ended Dec. 31, 2012  
Schedule RR-3

Adjustment 08 Adjustment 09 Adjustment 10 Adjustment 11 Adjustment 12 Adjustment 13 Adjustment 14 Adjustment 15

(761,183) 0 609,141 300,024 316,017 616,709 405,612 (4,144)

100.0%

74.5%

Line	Account	Acct. No.	Non-Recurring Costs in Test Year- Post- Acquisition	NOT USED	Major Storm Reserve Fund	Depreciation Annualization and Rates	Depreciation Reserve Deficiency Amortization	Algonquin / Liberty Support Costs	Property Taxes	Other Revenue
1	<b>Purchased Power</b>	555								
2										
3	Transmission- Open Access									
4	Transmission- Other									
5	<b>Transmission Expenses-O&amp;M</b>		0	0	0	0	0	0	0	0
6										
7	<b>Distribution O&amp;M</b>									
8	Supervision & Eng	580								
9	Load Dispatching	581								
10	Substations	582								
11	Overhead Lines	583								
12	Underground Lines	584								
13	Outdoor Lighting	585								
14	Electric Meters	586								
15	Customer Installation	587								
16	Misc Expenses	588								
17	Rents	589								
18	Supervision & Eng	590								
19	Structures	591								
20	Substations	592								
21	Substations-Trouble	592								
22	Overhead Lines	593			(47,705)					
23	OH Lines-Trouble	593								
24	OH Lines-Veg Mgmt	593								
25	Underground Lines	594								
26	Line Transformers	595								
27	Outdoor Lighting	596								
28	Misc Distr Plant	597								
29	<b>Total Distribution O&amp;M</b>		0	0	(47,705)	0	0	0	0	0
30										

RR-3 Granite State Electric Company  
vFIN Summary of Adjustments

RR To Test Year Ended Dec. 31, 2012  
Schedule RR-3

Adjustment 08 Adjustment 09 Adjustment 10 Adjustment 11 Adjustment 12 Adjustment 13 Adjustment 14 Adjustment 15

(761,183) 0 609,141 300,024 316,017 616,709 405,612 (4,144)

100.0%

74.5%

Line	Account	Acct. No.	Non-Recurring Costs in Test Year- Post-Acquisition	NOT USED	Major Storm Reserve Fund	Depreciation Annualization and Rates	Depreciation Reserve Deficiency Amortization	Algonquin / Liberty Support Costs	Property Taxes	Other Revenue
31	<b>Customer Accounting</b>									
32	Supervision	901								
33	Meter Reading	902								
34	Customer Records & Collection	903	735,852							
35	Uncollectible Accounts	904								
36	Uncollectible Accounts- Commodity	904								
37	Misc Expenses	905								
38	<i>Total Customer Accounting</i>		735,852	0	0	0	0	0	0	0
39										
40	<b>Customer Service &amp; Information</b>									
41	Cust Service-Supervision	907								
42	Cust Assistance Expenses	908								
43	Cust Service-Misc Expenses	910								
44	<i>Total Customer Service &amp; Info.</i>		0	0	0	0	0	0	0	0
45	<i>Total Customer Accounts</i>		735,852	0	0	0	0	0	0	0
46										
47	<b>Administrative &amp; General</b>									
48	A&G-Salaries	920						(58,227)		
49	A&G-Office Supplies	921						(10,103)		
50	A&G-Outside Services Employed	923	(1,497,036)					685,040		
51	Property Insurance	924			656,846					
52	Injuries & Damages Insurance	925								
53	Employee Pensions & Benefits	926								
54	Regulatory Comm Expenses	928								
55	A&G-Institutional/Goodwill Adv	930								
56	A&G-Misc Expenses	930								
57	A&G-Rents	931		0						
58	A&G Maint-General Plant-Elec	935			656,846			616,709		0
59	<i>Total Administrative &amp; General</i>		(1,497,036)	0	656,846	0	0	616,709	0	0
60	<i>Total O&amp;M Expense</i>		(761,183)	0	609,141	0	0	616,709	0	0
61										

RR-3 Granite State Electric Company  
vFIN Summary of Adjustments

RR To Test Year Ended Dec. 31, 2012  
Schedule RR-3

Adjustment 08 Adjustment 09 Adjustment 10 Adjustment 11 Adjustment 12 Adjustment 13 Adjustment 14 Adjustment 15

Line	Account	Acct. No.	Non-Recurring Costs in Test Year- Post-Acquisition	NOT USED	Major Storm Reserve Fund	Depreciation Annualization and Rates	Depreciation Reserve Deficiency Amortization	Algonquin / Liberty Support Costs	Property Taxes	Other Revenue
			(761,183)	0	609,141	300,024	316,017	616,709	405,612	(4,144)
							100.0%		74.5%	
62	<b>Depreciation Expense</b>									
63	Intangible assets									
64	Land Rights, Substations, Structures					(123,248)	72,068			
65	Poles, Towers, Fixtures					134,425	(242,876)			
66	Overhead Conductors					(47,458)	352,715			
67	Underground Conduits & Conductors					(81,440)	79,274			
68	Line Transformers					48,792	231,149			
69	Services					9,645	(26,290)			
70	Meters					77,187	13,464			
71	Lighting					52,342	(112,115)			
72	Other					229,778	(51,372)			
73	<i>Total Depreciation Expense</i>		0	0	0	300,024	316,017	0	0	0
74										
75	<b>General Taxes</b>								405,612	
76	Municipal tax									
77	Payroll tax									
78	Other tax									
79	Total General taxes		0	0	0	0	0	0	405,612	0
80										
81	<b>Income Taxes</b>									
82	FIT Expense									
83	SIT Expense									
84	Total Income Tax		0	0	0	0	0	0	0	0
85										
86	<b>Revenue Taxes</b>									
87										
88	<b>Interest on Customer Deposits</b>									
89										
90	<b>Total Expenses</b>		(761,183)	0	609,141	300,024	316,017	616,709	405,612	0
91										





RR-3 Granite State Electric Company  
vFIN Summary of Adjustments

RR To Test Year Ended Dec. 31, 2012  
Schedule RR-3

Adjustment 16 Adjustment 17 Adjustment 18 Adjustment 19 Adjustment 20

Historic Year Historic Year

Line	Account	Acct. No.	Rate Case Expense	Income Tax Expense- Test Year Actual	Income Tax Expense- Test Year Adjusted at Current Rates	Revenue at Current Rates	Bad Debt Expense	Normalizing Adjustments	Historic Rate Base and Operating Income, Rv. T. base
1	<b>Purchased Power</b>	555						0	36,839,918
2									
3	Transmission- Open Access							0	15,301,182
4	Transmission- Other							0	(4,783)
5	<b>Transmission Expenses-O&amp;M</b>		390,000	1,754,470	(2,905,533)	(795,451)	89,176	0	15,296,399
6				100.0%			100.0%		
7	<b>Distribution O&amp;M</b>								
8	Supervision & Eng	580						(32,805)	105,786
9	Load Dispatching	581						(26,430)	570,698
10	Substations	582						(45,013)	201,093
11	Overhead Lines	583						(125,758)	615,857
12	Underground Lines	584						(16,234)	81,063
13	Outdoor Lighting	585						(12,101)	10,422
14	Electric Meters	586						(99,843)	103,492
15	Customer Installation	587						(56,000)	47,565
16	Misc Expenses	588						(295,826)	472,357
17	Rents	589						0	2,161
18	Supervision & Eng	590						(55)	59
19	Structures	591						(4,925)	4,370
20	Substations	592						(37,266)	43,149
21	Substations-Trouble	592						0	10,283
22	Overhead Lines	593						(332,666)	1,581,308
23	OH Lines-Trouble	593						0	379,726
24	OH Lines-Veg Mgmt	593						0	939,445
25	Underground Lines	594						(18,311)	47,957
26	Line Transformers	595						(4,992)	37,445
27	Outdoor Lighting	596						(52,283)	62,969
28	Misc Distr Plant	597						(700)	2,462
29	<b>Total Distribution O&amp;M</b>		0	0	0	0	0	(1,161,208)	5,319,666
30									

RR-3 Granite State Electric Company  
vFIN Summary of Adjustments

RR To Test Year Ended Dec. 31, 2012

Schedule RR-3

Adjustment 16 Adjustment 17 Adjustment 18 Adjustment 19 Adjustment 20

Historic Year

Historic Year

Line	Account	Acct. No.	Rate Case Expense	Income Tax Expense- Test Year Actual	Income Tax Expense- Test Year Adjusted at Current Rates	Revenue at Current Rates	Bad Debt Expense	Normalizing Adjustments	Historic Rate Base and Operating Income Rv. Type
31	<b>Customer Accounting</b>								
32	Supervision	901						(8,455)	9,724
33	Meter Reading	902						(81,970)	529,994
34	Customer Records & Collection	903	390,000	1,754,470	(2,905,533)	(795,451)	89,176	(117,343)	448,716
35	Uncollectible Accounts	904					89,176	89,176	326,926
36	Uncollectible Accounts- Commodity	904						0	0
37	Misc Expenses	905						(1,815)	7,467
38	<i>Total Customer Accounting</i>		0	0	0	0	89,176	(120,408)	1,322,827
39									
40	<b>Customer Service &amp; Information</b>								
41	Cust Service-Supervision	907						0	37
42	Cust Assistance Expenses	908						(143,232)	84,858
43	Cust Service-Misc Expenses	910						(3,302)	90,006
44	<i>Total Customer Service &amp; Info.</i>		0	0	0	0	0	(146,535)	174,901
45	<i>Total Customer Accounts</i>		0	0	0	0	89,176	(266,942)	1,497,728
46								(1,428,151)	6,817,394
47	<b>Administrative &amp; General</b>								
48	A&G-Salaries	920						(644,816)	2,196,920
49	A&G-Office Supplies	921						(58,300)	1,136,866
50	A&G-Outside Services Employed	923						(1,056,323)	3,595,737
51	Property Insurance	924						(2,554)	2,145,707
52	Injuries & Damages Insurance	925						(28,716)	427,811
53	Employee Pensions & Benefits	926						(894,631)	2,017,840
54	Regulatory Comm Expenses	928						(18,594)	535,251
55	A&G-Institutional/Goodwill Adv	930	390,000					(7,818)	18,211
56	A&G-Misc Expenses	930						0	83,566
57	A&G-Rents	931						0	94,492
58	A&G Maint-General Plant-Elec	935						(9,362)	14,578
59	<i>Total Administrative &amp; General</i>		390,000	0	0	0	0	(2,721,115)	12,266,980
60	<i>Total O&amp;M Expense</i>		390,000	0	0	0	89,176	(4,149,265)	71,220,691
61									19,084,374

RR-3 Granite State Electric Company  
vFIN Summary of Adjustments

RR To Test Year Ended Dec. 31, 2012  
Schedule RR-3

Line	Account	Acct. No.	Adjustment 16	Adjustment 17	Adjustment 18	Adjustment 19	Adjustment 20	Historic Year	Historic Year
			Rate Case Expense	Income Tax Expense- Test Year Actual	Income Tax Expense- Test Year Adjusted at Current Rates	Revenue at Current Rates	Bad Debt Expense	Normalizing Adjustments	Historic Rate Base and Operating Income Rv. T.Vme
62	<b>Depreciation Expense</b>								
63	Intangible assets							0	0
64	Land Rights, Substations, Structures							72,068	282,609
65	Poles, Towers, Fixtures							(242,876)	560,890
66	Overhead Conductors							352,715	558,067
67	Underground Conduits & Conductors							79,274	171,180
68	Line Transformers							231,149	361,624
69	Services							(26,290)	163,501
70	Meters							13,464	97,744
71	Lighting							(112,115)	114,725
72	Other							(51,372)	2,556,835
73	<i>Total Depreciation Expense</i>		0	0	0	0	0	316,017	4,867,174
74									
75	<b>General Taxes</b>								
76	Municipal tax							302,009	2,778,746
77	Payroll tax							(164,017)	387,295
78	Other tax							0	0
79	Total General taxes		0	0	0	0	0	137,992	3,166,041
80									
81	<b>Income Taxes</b>								
82	FIT Expense			1,754,470	(2,905,533)			1,754,470	(357,780)
83	SIT Expense							0	(416,629)
84	Total Income Tax		0	1,754,470	(2,905,533)	0	0	1,754,470	(774,408)
85									
86	<b>Revenue Taxes</b>								
87									
88	<b>Interest on Customer Deposits</b>								
89									
90	<b>Total Expenses</b>		390,000	1,754,470	(2,905,533)	(795,451)	89,176	(1,940,786)	78,479,497
91									

RR-3 Granite State Electric Company  
vFIN Summary of Adjustments  
RR To Test Year Ended Dec. 31, 2012  
Schedule RR-3

Line	Account	Acct. No.	Adjustment 16	Adjustment 17	Adjustment 18	Adjustment 19	Adjustment 20	Historic Year	Historic Year
			Rate Case Expense	Income Tax Expense- Test Year Actual	Income Tax Expense- Test Year Adjusted at Current Rates	Revenue at Current Rates	Bad Debt Expense	Normalizing Adjustments	Historic Rate Base and Operating Income Rv. Type
92	<b>Operating Revenue</b>								
93	Distribution	456Dx				795,451		0	23,869,650
94	Commodity	440						0	36,665,612
95	Wholesale Transmission	456Tx	390,000	1,754,470	(2,905,533)	(795,451)	89,176	0	15,218,970
96	Forfeited discounts	450						0	117,251
97	Misc. service revenue	451						0	303,243
98	Rent from Electric property	454						0	283,642
99	Other revenue	456						0	965,880
100	Border/Fairpoint							0	165,571
101	Miscellaneous revenue							0	166,926
102			0	0	0	795,451	0	0	77,756,745
103									
104	<b>Net operating income (loss)</b>		<b>(390,000)</b>	<b>(1,754,470)</b>	<b>2,905,533</b>	<b>795,451</b>	<b>(89,176)</b>	<b>1,940,786</b>	<b>(722,752)</b>
105									

RR-3-01 Granite State Electric Company  
vFINAL Adjustments to Test Year  
AD Adjustment 01  
Payroll Expense  
Schedule RR-3-01

Labor Complement at 12/31/12						
Line	Description	Note	Union	Non-Union	Customer Care	Total
1	Regular Payroll- 2012		2,353,021	2,594,868	364,833	5,312,722
2	2013 Increases	% on Line 33	37,648	77,846	10,945	126,439
3	Proformed for 2013 increase		2,390,669	2,672,714	375,778	5,439,162
4	Amount Capitalized	% on Line 34	775,294	866,761	0	1,642,055
5	Regular Payroll to O&M		1,615,375	1,805,953	375,778	3,797,106
6	Overtime comp.- 2012		598,504	98,888	4,806	702,198
7	2013 Increases	% on Line 33	9,576	2,967	144	12,687
8	Proformed for 2013 increase		608,080	101,855	4,950	714,885
9	Amount Capitalized	% on Line 34	197,200	33,032	0	230,232
10	Overtime comp. to O&M		410,879	68,823	4,950	484,653
11						
12	Premium comp.- 2012		59,214	4,584	0	63,798
13	2013 Increases	% on Line 33	947	138	0	1,085
14	Proformed for 2013 increase		60,161	4,721	0	64,882
15	Amount Capitalized	% on Line 34	19,510	1,531	0	21,041
16	Premium comp. to O&M		40,651	3,190	0	43,841
17						
18	Incentive comp.- 2012		82,356	398,387	43,301	524,043
19	2013 Increases	% on Line 33	1,318	11,952	1,299	14,568
20	Proformed for 2013 increase		83,673	410,338	44,600	538,611
21	Amount Capitalized	% on Line 34	27,135	133,073	0	160,208
22	Incentive comp. to O&M		56,538	277,266	44,600	378,403
23						

RR-3-01 Granite State Electric Company  
FINAL Adjustments to Test Year

AD Adjustment 01  
Payroll Expense  
Schedule RR-3-01

		Labor Complement at 12/31/12			
Description	Note	Union	Non-Union	Customer Care	Total
24	2012 Total and 2013 New Hires	3,093,094	3,096,727	412,940	6,602,761
25	2013 Increases	49,490	92,902	12,388	154,780
26	Total Payroll 2013	3,142,584	3,189,628	425,328	6,757,540
27	Total capitalized	1,019,140	1,034,397	0	2,053,536
28	Total to O&M	2,123,444	2,155,232	425,328	4,704,004
29	Total to O&M- 2012				
30	Non-Recurring Costs in Test Year- Pre-Acquisition				
31	Adjusted Test Year				
32	<b>Increase for 2013 over Adjusted Test Year</b>				
33	Increases for 2013	1.6%	3.0%	3.0%	
34	Portion Capitalized	32.43%	32.43%		30.40%
35					
36	Amount Capitalized in 2012	1,003,090	1,004,268	0	2,007,359
37	Total Payroll in 2012				7,091,219
38	To O&M in 2012				<b>5,083,860</b>

*From RR-3-07*

RR-3-01 Granite State Electric Compa  
vFINAL Adjustments to Test Year

AD Adjustment 01  
Payroll Expense  
Schedule RR-3-01

		New Hires For 12/31/13				
Line	Description	Union	Non-Union	Customer Care	Total	Total
1	Regular Payroll- 2012	970,908	483,090	76,706	1,530,704	6,843,426
2	2013 Increases	0	0	0	0	126,439
3	Proformed for 2013 increase	970,908	483,090	76,706	1,530,704	6,969,866
4	Amount Capitalized	314,865	156,666	0	471,531	2,113,587
5	Regular Payroll to O&M	656,042	326,424	76,706	1,059,173	4,856,279
6	Overtime comp.- 2012	372,822	23,980	0	396,802	1,099,000
7	2013 Increases	0	0	0	0	12,687
8	Proformed for 2013 increase	372,822	23,980	0	396,802	1,111,687
9	Amount Capitalized	120,906	7,777	0	128,683	358,915
10	Overtime comp. to O&M	251,916	16,203	0	268,119	752,772
11						
12	Premium comp.- 2012	28,439	0	0	28,439	92,237
13	2013 Increases	0	0	0	0	1,085
14	Proformed for 2013 increase	28,439	0	0	28,439	93,322
15	Amount Capitalized	9,223	0	0	9,223	30,264
16	Premium comp. to O&M	19,217	0	0	19,217	63,058
17						
18	Incentive comp.- 2012	33,982	62,923	7,671	104,576	628,618
19	2013 Increases	0	0	0	0	14,568
20	Proformed for 2013 increase	33,982	62,923	7,671	104,576	643,187
21	Amount Capitalized	11,020	20,406	0	31,426	191,634
22	Incentive comp. to O&M	22,961	42,517	7,671	73,149	451,552
23						

RR-3-01 Granite State Electric Compa  
vFINAL Adjustments to Test Year

AD Adjustment 01  
Payroll Expense  
Schedule RR-3-01

Description	New Hires For 12/31/13				Total
	Union	Non-Union	Customer Care	Total	
24 2012 Total and 2013 New Hire:	1,406,151	569,993	84,377	2,060,521	8,663,282
25 2013 Increases				0	154,780
26 Total Payroll 2013	1,406,151	569,993	84,377	2,060,521	8,818,062
27 Total capitalized	456,015	184,849	0	640,864	2,694,400
28 Total to O&M	950,136	385,144	84,377	1,419,658	6,123,662
29 Total to O&M- 2012					5,083,860
30 Non-Recurring Costs in Test Y					(2,127,329)
31 Adjusted Test Year					2,956,531
32 <b>Increase for 2013 over Adjust</b>					<b>3,167,130</b>
33 Increases for 2013	32.43%	32.43%	0.00%	31.10%	
34 Portion Capitalized					
35					
36 Amount Capitalized in 2012	456,015	184,849	0	640,864	
37 Total Payroll in 2012					
38 To O&M in 2012	<b>5,083,860</b>				



RR-3-02 Granite State Electric Company  
FINAL Adjustments to Test Year  
AD Adjustment 02  
Payroll Taxes  
Schedule RR-3-02

Line	Description	Ref.	Expense Amounts Based on Adjusted Labor		
			Union	Non-Union	Customer Care
	<b>Labor Complement at 12/31/2012</b>				
1					
2	<i>Payroll Taxes</i>		222,620	192,942	28,087
3	Applicable Salary- 2013	RR-3-01	3,142,584	3,189,628	425,328
4	% of Applicable Salary	Line 2 / Line 3	7.1%	6.0%	6.6%
5					
6	<b>New Hires in 2013</b>				
7	Salary- 2013	RR-3-01	1,406,151	569,993	84,377
8	<i>Salary-related Benefits</i>	Line 7 / Line 4	99,611	34,479	5,572
9					
10	Total Payroll Taxes	Sum Lines 2, 8	322,231	227,422	33,659
11	Portion Capitalized	RR-3-01	32.4%	32.4%	0.0%
12	Amount Capitalized	Line 10 X Line 11	104,499	73,753	0
13	<b>Payroll Taxes to O&amp;M</b>	Line 10 - Line 12	<b>217,731</b>	<b>153,669</b>	<b>33,659</b>
14					
15	Test Year Expense- Account 408.4				387,295
16	Non-Recurring Costs in Test Year- RR-3-07				(164,017)
17	Adjusted Test Year Expense				223,277
18	<b>Increase for 2013 over Adjusted Test Year</b>				<b>181,782</b>
19					
20	Note:				
21	This adjustment aligns Payroll taxes with the Labor costs reflected on RR-3-01				

RR-3-03 Granite State Electric Company  
FINAL Adjustments to Test Year  
AD Adjustment 03  
Pension and Benefits Expense  
Schedule RR-3-03

Line	Description	Ref.	Expense Amounts Based on Adjusted Labor		
			Union	Non-Union	Customer Care
<b>Labor Complement at 12/31/2012</b>					
1	Pension		335,878	263,383	51,877
2	OPEB		223,262	112,655	34,022
3	401K		110,724	92,815	13,710
4	Workers Compensation	RR-3-04	202,864	141,989	30,166
5	Salary-related Benefits		<u>872,728</u>	<u>610,842</u>	<u>129,774</u>
6	Total Salary paid- 2013	RR-3-01	3,142,584	3,189,628	425,328
7	% of Salary paid	Line 6 / Line 7	27.8%	19.2%	30.5%
8					23.9%
9					
10	Medical		362,700	248,021	46,281
11	Other Health Care		72,142	73,323	10,918
12	Per FTE-related Benefits		<u>434,842</u>	<u>321,344</u>	<u>57,199</u>
13	FTE Employees		39.0	19.8	4.4
14	Per FTE	Line 12 / Line 13	11,150	16,229	13,017
15					12,871
<b>New Hires in 2013</b>					
16	Salary- 2013	RR-3-01	1,406,151	569,993	84,377
17	Salary-related Benefits	Line 17 X Line 8	<u>390,503</u>	<u>109,159</u>	<u>25,745</u>
18					525,406
19					
20	FTE Employees		13.0	5.9	0.9
21	Per FTE-related Benefits	Line 14 X Line 20	144,947	94,952	11,715
22					251,614
23	Total Pension and Benefits	Sum Lines 6, 12, 18, 21	1,843,020	1,136,296	224,434
24	Portion Capitalized	RR-3-01	32.4%	32.4%	0
25	Amount Capitalized	Line 23 X Line 24	597,691	368,501	0
26	Pension and Benefits to O&M- Active Employees	Line 23 - Line 25	1,245,328	767,795	224,434
27	Inactive employees- Pension and OPEB				128,133

RR-3-03 Granite State Electric Company  
FINAL Adjustments to Test Year  
AD Adjustment 03  
Pension and Benefits Expense  
Schedule RR-3-03

Line	Description	Ref.	Expense Amounts Based on Adjusted Labor		
			Union	Non-Union	Customer Care
28	<b>Pension and Benefits to O&amp;M</b>	Line 26 + Line 27			<b>2,365,690</b>
29					
30	Deferred items to Pension expense	NEES Acquisition (Credit)			(395,222)
31		Liberty Acquisition Deferred Debit			2,118,870
32	<b>Rate Year Expense- Account 926</b>				<b>4,089,338</b>
33					
34	Test Year Expense- Account 926				2,017,840
35	Non-Recurring Costs in Test Year- Pre-Acqui RR-3-07				(894,631)
36	Adjusted Test Year Expense				1,123,208
37	<b>Increase for 2013 over Adjusted Test Year</b>				<b>2,966,130</b>
38					
39	Deferred Debits (Credits) Amortized to Pension expense				
40	NEES Acquisition (Credit)	(1,270,604)			(395,222)
41	Liberty Acquisition Deferred Debit	21,188,697			2,118,870
42	<b>Adjustment to Rate Year Expense</b>				<b>1,723,648</b>
43					
44	Notes:				
45	This adjustment aligns Pension and Benefits expense with the Labor costs reflected on RR-3-01				

RR-3-04 Granite State Electric Company  
FINAL Adjustments to Test Year  
AD Adjustment 04  
Property and Liability Insurance  
Schedule RR-3-04

Line	Description	Annual Premium- Test Year (a)	Projected Increase (b)	Fee	Annual Cost- Rate Year	Capitalized Portion (c)	Expense to O&M- Rate Year
1	Property insurance:		1.90%	10%		30.40%	
2	All risk	64,475	1,225	6,570	72,270		72,270
3		64,475	1,225	6,570	72,270	0	72,270
4							
5	Liability insurance:						
6	Comprehensive General Liability	111,062	2,110	11,317	124,489	37,847	86,642
7	Umbrella	139,249	2,646	14,189	156,084	47,452	108,632
8	Excess	62,250	1,183	6,343	69,776	21,213	48,563
9	Automobile	210,582	4,001	21,458	236,041	71,761	164,281
10		523,143	9,940	53,308	586,391	178,273	408,118
11	Total Property and liability insurance in O&M- Rate Year						480,388
12							
13	Total Property and liability insurance in O&M- Test Year Account 925						427,811
14	Non-Recurring Costs in Test Year- Pre-Acquisition					RR-3-07	(28,716)
15							399,096
16	<b>Adjustment to Rate Year</b>						<b>81,292</b>
17							
18	Workers Compensation insurance:	334,569	6,357	34,093	375,018		
19							
20	(a) Provided by insurance agent						
21	(b) General Inflation rate						
22	(c) From RR-3-01						
23							

RR-3-05 Granite State Electric Company  
FINAL Adjustments to Test Year  
AD Adjustment 05  
Leased Vehicles  
Schedule RR-3-05

Line	Description	Amount
1	Annual cost for leased vehicles, starting 2013	252,288
2		
3		
4	<b>Adjustment for Leased Vehicles</b>	<b>252,288</b>
5		
6	Note:	
7	The Company has included the cost of leased vehicles in the revenue requirement.	
8	The cost of vehicles which the Company plans to purchase to replace the leased vehicles	
9	is in the Step Increase the Step Increase was reduced by the revenue requirement effect of the leased vehicles.	
10		
11		

RR-3-06 Granite State Electric Company  
FINAL Adjustments to Test Year  
AD Adjustment 06  
General Inflation  
Schedule RR-3-06

Line	Description	Reference	Amount
1	Total Test Year O&M expense	RR-2-1	19,079,591
2	Less: Purchased power	RR-2-1	0
3			19,079,591
4	Less: Items normalized or not subject to general inflation		<i>Included in Line 3</i>
5	Payroll Expense	RR-3-01	5,083,860
6	Pension and Benefits Expense	RR-3-03	2,017,840
7	Property and Liability Insurance	RR-3-04	427,811
8	Non-Recurring Costs in Test Year- Pre-Acquisition	RR-3-07	4,402,458
9	Non-Recurring Costs in Test Year- Post-Acquisition (TSA)	RR-3-08	761,183
10	NOT USED	RR-3-09	0
11	Major Storm Reserve Fund	RR-3-10	2,190,859
12	Algonquin / Liberty Support Costs	RR-3-13	630,516
13	Bad Debt Expense	RR-3-20	326,926
14			15,841,453
15	Test Year O&M expenses subject to general inflation		3,238,138
16	General inflation rate		1.90%
17	<b>Increase for general inflation</b>		<b>61,525</b>
18			
19	<b>Long term inflation forecast</b>		<b>Year over Year</b>
20		2011	100.000
21		2012	102.200 2.20%
22		2013	104.142 1.90%
23		2014	106.954 2.70%
24	<i>Source: U.S. Macro Baseline Forecast Summary, Moody's Analytics, April 2012</i>		
25			
26	Note: This adjustment provides for general inflation on items not specifically adjusted.		

Non-Recurring Costs in Test Year- Pre-Acquisition

Schedule RR-3-07

Line	Description	Account	Pre-Acquisition Costs			Total
			IS Transition	Payroll	Benefits	
1	Payroll Tax	408		0	(164,017)	(164,017)
2	Supervision & Eng	580		(32,727)	(78)	(32,805)
3	Load Dispatching	581		(26,430)	0	(26,430)
4	Substations	582		(45,013)	0	(45,013)
5	Overhead Lines	583		(125,758)	0	(125,758)
6	Underground Lines	584		(16,234)	0	(16,234)
7	Outdoor Lighting	585		(12,101)	0	(12,101)
8	Electric Meters	586		(99,843)	0	(99,843)
9	Customer Installation	587		(56,000)	0	(56,000)
10	Misc Expenses	588		(290,615)	(5,211)	(295,826)
11	Supervision & Eng	590		(55)	0	(55)
12	Structures	591		(4,925)	0	(4,925)
13	Substations	592		(37,266)	0	(37,266)
14	Overhead Lines	593		(323,732)	(8,935)	(332,666)
15	Underground Lines	594		(18,311)	0	(18,311)
16	Line Transformers	595		(4,992)	0	(4,992)
17	Outdoor Lighting	596		(52,283)	0	(52,283)
18	Misc Distr Plant	597		(700)	0	(700)
19	Supervision	901		(8,455)	0	(8,455)
20	Meter Reading	902		(81,774)	(197)	(81,970)
21	Customer Records & Collection	903		(114,501)	(2,842)	(117,343)
22	Misc Expenses	905		(1,815)	0	(1,815)
23	Cust Assistance Expenses	908		(117,855)	(25,378)	(143,232)
24	Cust Service-Misc Expenses	910		(1,885)	(1,418)	(3,302)
25	A&G Salaries	920	602	(607,582)	(37,836)	(644,816)
26	A&G Office Supplies	921	(56,533)	(37)	(1,730)	(58,300)
27	Outside Services	923	(1,055,800)	(79)	(445)	(1,056,323)
28	Property Insurance	924		(2,554)	0	(2,554)
29	Injuries & Damages Insurance	925		(4,786)	(23,930)	(28,716)
30	Employee Pensions & Benefits	926		(4,324)	(890,307)	(894,631)
31	Regulatory Comm Expenses	928		(18,594)	0	(18,594)
32	A&G-Institutional/Goodwill Adv	930		(6,741)	(1,077)	(7,818)
33	A&G Maint-General Plant-Elec	935		(9,362)	0	(9,362)
34	<b>Non-Recurring Costs in Test Year- Pre-Acquisition</b>		<b>(1,111,731)</b>	<b>(2,127,329)</b>	<b>(1,163,398)</b>	<b>(4,402,458)</b>

35 This adjustment removes non-recurring costs incurred in the Test Year pre-acquisition.

36 Payroll and benefits were replaced by the cost of the 12/31/2012 labor complement (Schedule RR-3-01,

37 Schedule RR-3-02, Schedule RR-3-03). IS Transition costs are non-recurring and were removed.

RR-3-08 Granite State Electric Company  
vFINAL Adjustments to Test Year  
AD Adjustment 08

Non-Recurring Costs in Test Year- Post-Acquisition (TSA)

Schedule RR-3-08

Line	Description	Disposition	Labor	Non-Labor	Total
1	TSA Invoices, July-November 2012		872,531	1,171,253	2,043,784
2	Less: Capitalized portion of HR		(31,938)	2,962	(28,976)
3	Less: Capitalized portion of Operations	16.15%	(99,679)	(201,316)	(300,994)
4	TSA Invoices charged to P&L- Account 923		<b>740,914</b>	<b>972,900</b>	<b>1,713,813</b>
5					
6	Disposition of TSA Costs Charged to P&L:				
7	Customer Service	Continue	135,634	205,672	341,306
8	Non-Labor	Continue	0	720,090	720,090
9	Transition	Exclude	2,510	12,076	14,586
10	Not Ongoing	Exclude	0	35,061	35,061
11	Labor	Normalize Out	602,769	0	602,769
12			<b>740,914</b>	<b>972,900</b>	<b>1,713,813</b>
13					
14	Removed from P&L- Account 923			38.07%	652,416
15	Remaining TSA Costs in P&L- Account 923			61.93%	1,061,397
16				100.00%	<b>1,713,813</b>
17					
18	TSA Invoices charged to P&L- Account 923, through November 2012				1,713,813
19	Accrued for December			340,729	
20	Less: Portion capitalized (estimated)		16.15%	(55,011)	285,718
21	Total TSA Costs to P&L in Test Year				<b>1,999,531</b>
22					
23	<b>TSA Costs in Test Year to be Normalized Out</b>			<b>38.07%</b>	<b>761,183</b>
24					
25	Reclass Customer Service from A&G Account 923 to Accounts 902/903				
26	TSA, July-November				341,306
27	TSA, December, estimated				68,261
28	Labor costs January-June	RR-3-07			326,284
29					<u>735,852</u>
30	To Account 902	33.33% To RR-3			245,284
31	To Account 903	66.67% To RR-3			490,568
32		100.00%			<u>735,852</u>
33					

This adjustment removes non-recurring costs incurred in the Test Year post-acquisition.  
Payroll and benefits costs for services under the TSA were replaced by the cost of the 12/31/2012 labor complement (Schedule RR-3-01, Schedule RR-3-02, Schedule RR-3-03). Other non-recurring TSA costs were also removed.



RR-3-09 Granite State Electric Company  
FINAL Adjustments to Test Year  
AD Adjustment 09  
NOT USED  
Schedule RR-3-09

Line	Description	Amount	Amount
1			
2			
3			
4			0

RR-3-10 Granite State Electric Company  
FINAL Adjustments to Test Year  
AD Adjustment 10  
Major Storm Reserve Fund  
Schedule RR-3-10

Line	Description	Amount	Current	Proposed
1	Proposed in Base Rates	1,600,000	120,000	1,600,000
2	Proposed in SRA (Until Storm Fund balance = \$0)	1,200,000		
3	Annual Storm Funding	2,800,000		
4				
5	Storm costs in Test Year O&M		2,181,924	2,800,000
6	Account 924	2,145,707		
7	Account 593	47,705		
8	Non-Recurring Costs in Test Year- Pre-Acquisition	(2,554)		
9	<b>Adjustment to Major Storm Reserve Fund</b>	<b>Account 924 609,141</b>		
10				
11	<b>Adjustment to Major Storm Reserve Fund</b>	<b>Account 924 656,846</b>		
12	<b>Adjustment to Remove Costs</b>	<b>Account 593 (47,705)</b>		
13		609,141		
14				

Storm Cost History	Nominal Cost	Inflate to Test Year	Cost in Test Year \$
Ice Storm A 12/12/2008	1,372,551	1.05	1,443,658
Windstorm 02/23-26/2010	1,713,578	1.04	1,786,594
Halloween Snow 10/31/2011	1,560,182	1.02	1,583,742
First Snow Storm 03/07/2011	1,713,696	1.02	1,739,573
Hurricane Irene 08/20/2011	993,267	1.02	1,008,265
Superstorm Sandy 10/29/2012	1,628,452	1.00	1,628,452
	<u>8,981,726</u>		<u>9,190,284</u>
December 2012		247.56	
Average Annual Major Storm Cost		5 years	1,838,057

This adjustment establishes annual Storm Fund contributions in base rates at a level reflecting recent storm costs. It also includes a Storm Recovery Adjustment (SRA) amount designed to recover the current balance in approximately 6 years.

RR-3-11 Granite State Electric Company  
FINAL Adjustments to Test Year  
AD Adjustment 11  
Depreciation Annualization and Rates  
Schedule RR-3-11

Line	Account	Acct. No.	Balance 12/31/2012	Depreciation Rates		Annual Depreciation Expense		Annualization	Total
				Current	Proposed	At Current Rates	At Proposed Rates		
1	<b>Distribution Plant</b>								
2	Land and land rights	360	1,627,441	3.83%	2.56%	14,170	9,475	(4,695)	255 (4,441)
3	Structures and improvements	361	369,982	3.83%	3.08%	665,000	534,244	(130,756)	11,949 (118,807)
4	Station equipment	362	17,362,914	3.83%	4.29%	981,538	1,098,326	116,789	17,637 134,425
5	Poles, towers and fixtures	364	25,627,618	3.83%	3.63%	1,334,734	1,263,293	(71,441)	23,983 (47,458)
6	Overhead conductors, devices	365	34,849,460	3.83%	2.20%	175,303	100,696	(74,607)	3,150 (71,457)
7	Underground conduit	366	4,577,090	3.83%	3.66%	372,515	355,839	(16,677)	6,694 (9,983)
8	Underground conductors, device	367	9,726,252	3.83%	4.05%	638,075	675,402	37,327	11,465 48,792
9	Line transformers	368	16,659,915	3.83%	3.89%	289,251	293,699	4,447	5,197 9,645
10	Services	369	7,552,255	3.83%	5.45%	174,580	248,630	74,050	3,137 77,187
11	Meters	370	4,558,214	3.83%	4.17%	44,822	48,762	3,940	805 4,745
12	Leased Prop on Customers' Prem	372	1,170,298	3.83%	5.00%	161,823	211,258	49,434	2,908 52,342
13	Street lighting, signal system	373	4,225,154	3.83%	3.82%	9,356	9,333	(24)	168 145
14	Other	343	244,285						
15	<i>Total Distribution Plant</i>		<u>128,550,877</u>			<u>4,861,168</u>	<u>4,848,956</u>	<u>(12,212)</u>	<u>87,348</u> <u>75,136</u>
16									
17	<b>General Plant</b>								
18	Land	389	1,618,695	2.20%	1.88%	49,286	42,005	(7,281)	886 (6,395)
19	Structures and Improvements	390	2,240,270	2.20%	4.00%	633	1,151	518	11 529
20	Office Furniture and Equipment	391	28,780	2.20%	7.50%	1,812	6,177	4,365	33 4,397
21	Transportation Equipment	392	82,354	2.20%	3.33%	1,356	2,055	699	24 723
22	Stores Equipment	393	61,654	2.20%	4.17%	4,300	8,145	3,844	77 3,922
23	Tools Shop and Garage Equipment	394	195,475	2.20%	4.00%	5,197	9,450	4,252	93 4,346
24	Laboratory Equipment	395	236,238	2.20%	5.00%	32,478	73,813	41,335	584 41,919
25	Communication Equipment	397	1,476,251	2.20%	2.40%	95,062	142,795	47,732	1,708 49,440
26	<i>Total General Plant</i>		<u>5,939,716</u>						
27									

RR-3-11 Granite State Electric Company  
FINAL Adjustments to Test Year  
AD Adjustment 11  
Depreciation Annualization and Rates  
Schedule RR-3-11

Line	Account	Acct. No.	Balance 12/31/2012	Depreciation Rates		Annual Depreciation Expense		Annualization	Total
				Current	Proposed	At Current Rates	At Proposed Rates		
28	<b>Total</b>		<u>134,490,594</u>			4,956,230	4,991,751	35,521	89,056
29	Depreciation expense recorded					4,867,174	4,956,230		
30	Adjustment- Depreciation annualization					89,056			1.80%
31	Adjustment- Change in Depreciation rates					35,521			
32	<b>Depreciation adjustment</b>					<u>124,576</u>			
33									
34	<b>Depreciation on assets not recorded to plant as of 12/31/2012</b>				RR-5-4	<u>175,448</u>			
35									

RR-3-12 Granite State Electric Company  
FINAL Adjustments to Test Year  
AD Adjustment 12  
Depreciation Reserve Deficiency Amortization  
Schedule RR-3-12

Accumulated Depreciation at 12/31/2011						
Line	Account	Acct. No.	Actual	Theoretical	Difference	Annual Amortization Expense
1	<b>Distribution Plant</b>					
2	Land and land rights	360			0	0
3	Structures and improvements	361	203,368	159,182	(44,186)	(4,419)
4	Station equipment	362	5,624,191	6,389,061	764,870	76,487
5	Poles, towers and fixtures	364	16,095,788	13,667,029	(2,428,759)	(242,876)
6	Overhead conductors, devices	365	10,264,973	13,792,122	3,527,149	352,715
7	Underground conduit	366	780,594	1,190,063	409,468	40,947
8	Underground conductors, device	367	2,252,393	2,635,662	383,269	38,327
9	Line transformers	368	9,325,592	11,637,078	2,311,486	231,149
10	Services	369	3,945,595	3,682,695	(262,900)	(26,290)
11	Meters	370	1,596,772	1,731,416	134,643	13,464
12	Leased Prop on Customers' Prem	372	1,315,982	338,555	(977,427)	(97,743)
13	Street lighting, signal system	373	2,982,279	1,861,131	(1,121,148)	(112,115)
14	Prime movers	343			0	0
15	<i>Total Distribution Plant</i>		<i>54,387,527</i>	<i>57,083,993</i>	<i>2,696,466</i>	<i>269,647</i>
16						
17	<b>General Plant</b>					
18	Land					
19	Structures and Improvements	390	734,037	1,020,284	286,246	28,625
20	Office Furniture and Equipment	391	21,807	20,769	(1,038)	(104)
21	Transportation Equipment	392	72,060	9,141	(62,919)	(6,292)
22	Stores Equipment	393	42,751	30,726	(12,025)	(1,203)
23	Tools Shop and Garage Equipment	394	82,494	134,232	51,738	5,174
24	Laboratory Equipment	395	83,208	82,699	(510)	(51)
25	Communication Equipment	397	507,496	709,711	202,216	20,222
26	<i>Total General Plant</i>		<i>1,543,854</i>	<i>2,007,562</i>	<i>463,708</i>	<i>46,371</i>
27						
28	<b>Total</b>		<b>55,931,381</b>	<b>59,091,555</b>	<b>3,160,174</b>	<b>316,017</b>

RR-3-13 Granite State Electric Company  
FINAL Adjustments to Test Year  
AD Adjustment 13  
Algonquin / Liberty Support Costs  
Schedule RR-3-13

Line	Description	Annual Amount
1	Liberty Support Costs- Rate Year	522,636
2	Algonquin Support Costs- Rate Year	724,589
3	Support cost for GSE Costs- Rate Year	1,247,225
4		
5	Costs incurred by GSE- Test Year:	
6	Account 920	58,227
7	Account 921	10,103
8	Account 923	562,185
9		630,516
10	<b>Adjustment</b>	<b>616,709</b>
11		
12		

This adjustment reflects the cost of support services provided by Liberty / Algonquin, which acquired Granite State Electric in 2012.

RR-3-14 Granite State Electric Company  
FINAL Adjustments to Test Year  
AD Adjustment 14  
Property Taxes  
Schedule RR-3-14

Line	Municipality	Parcel	Schedule RR-3-14A	
			Total 2012 Taxes	Average Increase in Rate, 2012-2009
1	Acworth	999-00000-999D	9,742	4.5%
2	Alstead	999-UTIL-001	45,240	(1.3%)
3	Bath	00	1,920	7.8%
4	Canaan	00UTIL-00ELEC-000001	98,392	5.5%
5	Charlestown	119-033	2,731	9.5%
6	Charlestown	000-003	55,987	9.5%
7	Charlestown	103-050	30	9.5%
8	Charlestown	103-051	14	9.5%
9	Charlestown	107-001	50	9.5%
10	Charlestown	107-004	1,266	9.5%
11	Cornish	000UTL - 000UTL - 00ELEC	4,784	1.1%
12	Derry	11-100	3,263	5.4%
13	Enfield	33-034	1,471	5.1%
14	Enfield	UTL-001	51,271	5.1%
15	Franconia	00UTIL-0ELECT-00003	149	1.7%
16	Grafton	000UTL-00001-00000	558	6.2%
17	Hanover	0-11	173,504	3.5%
18	Langdon	1-00000-0	13,284	2.6%
19	Lebanon	103-14	138,553	0.6%
20	Lebanon	105-105	3,110	0.6%
21	Lebanon	116-4	87	0.6%
22	Lebanon	117-17	1,391	0.6%
23	Lebanon	6-1	4,859	0.6%
24	Lebanon	999-2	655,471	0.6%
25	Marlow	U7C	155	4.5%
26	Monroe	000000-000002-000000	7,182	7.4%
27	Orange	00UTLS-000GSE-000000	1,586	4.4%
28	Pelham	0-14-3	243,046	10.0%
			<b>Total 2012 Taxes</b>	<b>Total 2013 Taxes</b>
			10,176	44,657
			2,070	103,821
			2,991	61,322
			32	16
			55	55
			1,386	4,838
			3,440	1,545
			53,879	151
			593	179,494
			13,624	139,413
			3,129	88
			1,400	4,889
			659,540	162
			7,715	1,655
			267,461	

RR-3-14 Granite State Electric Company  
 FINAL Adjustments to Test Year  
 AD Adjustment 14  
 Property Taxes  
 Schedule RR-3-14

			Schedule RR-3-14A		
Line	Municipality	Parcel	Total 2012 Taxes	Average Increase in Rate, 2012-2009	Total 2013 Taxes
29	Pelham	22-8-21	5,813	10.0%	6,397
30	Plainfield	000233-000020-000000	45,192	3.7%	46,844
31	Salem	67-9809	2,671	5.1%	2,806
32	Salem	68-10101	343	5.1%	360
33	Salem	68-10102	386	5.1%	405
34	Salem	68-10103	196	5.1%	206
35	Salem	89-1099	1,581	5.1%	1,661
36	Salem	89-10115	1,821	5.1%	1,913
37	Salem	114-10116	1,576	5.1%	1,656
38	Salem	116-9915	20,689	5.1%	21,734
39	Salem	116-9915-2	1,927	5.1%	2,024
40	Salem	136-9903	2,680	5.1%	2,815
41	Salem	157-9715	898,608	5.1%	943,990
42	Surry	000UTL-000003-000GSE	2,070	14.4%	2,368
43	Walpole	00UTIL-00UTIL-00001B	68,358	1.8%	69,585
44	Walpole	00UTIL-00UTIL-00001A	23,181	1.8%	23,597
45	Windham	00B-00000-02795	35,044	4.6%	36,661
46	State of New Hampshire		449,523		449,794
47			<b>3,080,755</b>		<b>3,184,358</b>
48	Property Tax expense, Test Year				2,778,746
49	<b>Increase in Property tax expense</b>				<b>405,612</b>
50					
51	Correct 2012			74.5%	302,009
52	Normalize 2013			25.5%	103,603
53				100.0%	405,612



RR-3-14A Granite State Electric Company  
vFINAL Adjustments to Test Year  
AD Adjustment 14- Support  
Property Taxes  
Schedule RR-3-14A

Line	Municipality	2013 F	Tax 2012	Average Increase	Incr 2012/2011	Incr 2011/2010	Incr 2010/2009	Rate 2012	Rate 2011	Rate 2010	Rate 2009	Assessed 2012
1	Acworth	10,176	9,742	4.5%	1.6%	7.7%	4.0%	1.9%	1.9%	1.7%	1.7%	513,250
2	Alstead	44,657	45,240	(1.3%)	(8.9%)	(10.4%)	15.4%	1.9%	2.1%	2.3%	2.0%	2,377,050
3	Bath	2,070	1,920	7.8%	10.3%	(1.9%)	14.9%	1.6%	1.4%	1.5%	1.3%	121,700
4	Canaan	103,821	98,392	5.5%	12.3%	4.2%	0.1%	2.1%	1.9%	1.8%	1.8%	4,645,500
5	Charlestown	65,803	60,078	9.5%	14.6%	8.7%	5.3%	3.0%	2.6%	2.4%	2.3%	1,988,878
6	Cornish	4,838	4,784	1.1%	1.2%	4.0%	(1.8%)	1.7%	1.7%	1.6%	1.7%	276,200
7	Derry	3,440	3,263	5.4%	12.6%	(4.7%)	8.4%	2.8%	2.5%	2.6%	2.4%	117,000
8	Enfield	55,425	52,742	5.1%	0.9%	(0.3%)	14.7%	1.8%	1.8%	1.8%	1.6%	2,890,050
9	Franconia	151	149	1.7%	6.9%	(0.6%)	(1.3%)	1.4%	1.3%	1.3%	1.3%	11,000
10	Grafton	593	558	6.2%	15.3%	(7.0%)	10.3%	1.8%	1.6%	1.7%	1.5%	31,000
11	Hanover	179,494	173,504	3.5%	2.0%	2.5%	5.9%	1.6%	1.6%	1.5%	1.5%	10,743,300
12	Langdon	13,624	13,284	2.6%	5.7%	0.9%	1.0%	2.4%	2.3%	2.2%	2.2%	557,164
13	Lebanon	808,458	803,471	0.6%	(1.1%)	6.7%	(3.7%)	2.2%	2.2%	2.1%	2.2%	36,368,600
14	Marlow	162	155	4.5%	(21.6%)	38.1%	(3.0%)	2.1%	2.7%	1.9%	2.0%	7,449
15	Montroe	7,715	7,182	7.4%	(5.6%)	12.5%	15.3%	0.9%	1.0%	0.9%	0.8%	770,350
16	Orange	1,655	1,586	4.4%	(5.7%)	11.1%	7.7%	1.7%	1.8%	1.7%	1.5%	91,600
17	Pelham	273,858	248,859	10.0%	18.6%	8.4%	3.2%	2.2%	1.8%	1.7%	1.7%	11,358,200
18	Plainfield	46,844	45,192	3.7%	2.5%	0.3%	8.2%	2.2%	2.1%	2.1%	2.0%	2,051,400
19	Salem	979,570	932,478	5.1%	(2.1%)	9.9%	7.3%	1.7%	1.7%	1.6%	1.4%	55,833,927
20	Surry	2,368	2,070	14.4%	28.4%	7.3%	7.5%	1.9%	1.5%	1.4%	1.3%	110,850
21	Walpole	93,182	91,539	1.8%	15.7%	(23.2%)	12.9%	1.8%	1.5%	2.0%	1.8%	5,135,600
22	Windham	36,661	35,044	4.6%	1.3%	8.8%	3.8%	2.1%	2.0%	1.9%	1.8%	1,702,000
23	Municipalities	2,734,564	2,631,232	2.2%	1.6%	4.3%	0.6%	1.9%	1.9%	1.8%	1.8%	137,702,067
24												
25	NH DRA											68,109,546
26	Property Tax											205,811,613

Check from Detail  
Difference

RR-3-14A Granite State Elk  
FINAL Adjustments to T  
AD Adjustment 14- 5  
Property Taxes  
Schedule RR-3-14A

Line	Municipality	Assessed 2011	Assessed 2010	Assessed 2009	Tax 2012	Tax 2011	Tax 2010	Tax 2009	Tax 2008	Tax 2007
1	Acworth	515,879	469,879	429,500	9,742	9,637	8,148	7,160	8,053	7,479
2	Alstead	2,250,756	2,069,368	2,089,270	45,240	46,996	48,221	42,196	43,409	14,134
3	Bath	121,700	43,000	43,000	1,920	1,740	627	546	640	479
4	Canaan	5,110,561	3,931,700	3,931,700	98,392	96,394	71,203	71,124	75,213	75,528
5	Charlestown	1,777,511	1,719,962	1,726,477	60,078	46,861	41,726	39,763	38,533	36,120
6	Cornish	276,200	276,200	264,054	4,784	4,729	4,549	4,427	3,571	3,365
7	Derry	117,000	117,000	123,418	3,263	2,899	3,042	2,959	2,690	2,294
8	Enfield	2,528,800	2,528,800	2,716,613	52,742	45,746	45,898	42,983	48,436	49,004
9	Franconia	12,000	11,142	12,000	149	152	142	155	153	-
10	Grafton	31,000	31,000	13,800	558	484	520	210	237	274
11	Hanover	10,526,800	10,288,500	10,164,921	173,504	166,639	158,957	148,331	140,178	135,456
12	Langdon	531,700	488,152	506,979	13,284	11,995	10,910	11,213	10,805	10,280
13	Lebanon	36,368,600	37,148,723	36,458,900	803,471	812,796	778,126	792,909	810,362	405,934
14	Marlow	6,998	7,569	6,732	155	186	145	133	117	133
15	Monroe	632,972	596,054	676,400	7,182	6,248	5,230	5,147	4,694	4,756
16	Orange	91,600	91,600	45,890	1,586	1,681	1,513	704	1,062	907
17	Pelham	11,625,589	11,383,000	11,759,298	248,859	214,784	194,080	194,307	170,630	155,155
18	Plainfield	2,051,400	2,051,400	2,051,400	45,192	44,105	43,962	40,638	40,515	42,231
19	Salem	52,359,000	42,917,213	27,614,713	932,478	893,338	666,167	399,304	374,241	323,380
20	Surry	93,900	93,900	93,900	2,070	1,366	1,273	1,184	1,628	1,581
21	Walpole	6,884,400	5,350,000	5,691,400	91,539	106,094	107,309	101,122	100,567	89,641
22	Windham	1,726,166	1,667,362	1,350,467	35,044	35,095	31,165	24,319	12,292	10,799
23	Municipalities	135,640,532	123,281,524	107,770,833	2,631,232	2,549,966	2,222,913	1,930,834	1,888,025	1,368,931
24										
25	NH DRA	-	-	-	22,197	432,875	328,387	397,690	441,514	344,897
26	Property Tax	135,640,532	123,281,524	107,770,833	2,653,429	2,982,841	2,551,300	2,328,524	2,329,539	1,713,828
					2,653,429					
	Check from Detail				2,653,429	2,982,841	2,551,300	2,328,524	2,329,539	1,713,828
	Difference									

RR-3-15 Granite State Electric Company  
FINAL Adjustments to Test Year  
AD Adjustment 15  
Other Revenue  
Schedule RR-3-15

Line	Description	Actual	Adjustment	Adjusted
1	Forfeited discounts	117,251	17,588	134,839
2	Miscellaneous service revenue	303,243	(67,543)	235,700
3	Rent from Electric property	283,642		283,642
4	Other revenue	965,880		965,880
5	Border sales	18,033	54,099	72,132
6	Fairpoint revenue	147,538		147,538
7	Miscellaneous revenue	166,926		166,926
8		<u>2,002,514</u>	<u>4,144</u>	<u>2,006,658</u>
9			<b>Adjustment</b>	

- 10 (a) Increase by estimated total bill increase of 15%
- 11 (b) Remove incentive revenue for energy efficiency programs
- 12 (c) Pole attachment revenue, not affected by distribution rates
- 13 (d) Represents CTC revenue, which is not changing in this rate case
- 14 (e) Customers and sales are not included in weather normalized sales
- 15 Actual revenue is for October-December 2012; the adjustment is to add revenue for January-September
- 16 (f) Offsets a portion expenses that are recovered in the REP / VMP charge, which is not changing in this rate case
- 17 (g) Not affected by distribution rates
- 18

RR-3-16 Granite State Electric Company  
FINAL Adjustments to Test Year  
AD Adjustment 16  
Rate Case Expense  
Schedule RR-3-16

Line	Description	Reference	Amount
1	Rate case expense, excluding Depreciation study		300,000
2	Depreciation study		90,000
3			<u>390,000</u>
4			
5	Number of years amortization	1	
6	<b>Annual amortization expense</b>		<b>390,000</b>
7			

RR-3-17 Granite State Electric Company  
FINAL Adjustments to Test Year  
AD Adjustment 17  
Income Tax Expense- Test Year Actual  
Schedule RR-3-17

Line	Description	Reference	Amount
	<b>Test Year Actual to Statutory Rates</b>		
1			
2	Normalized Revenue	RR-2	25,872,164
3	Normalized Expenses, excluding income tax	RR-2	23,454,049
4	Income (loss) before taxes		2,418,115
5	Combined income tax rate	RR-1-1	40.53%
6	Income tax expense (credit) at Statutory rates		980,062
7	Income tax expense (credit) recorded		(774,408)
8	<b>Adjustment to Normalize Historic Test Year</b>		<b>1,754,470</b>
9			

10 This adjustment normalizes income tax expense in the Test Year before adjustments to reflect statutory rates.

11

RR-3-18 Granite State Electric Company  
FINAL Adjustments to Test Year  
AD Adjustment 18  
Income Tax Expense- Test Year Adjusted at Current Rates  
Schedule RR-3-18

Line	Description	Reference	% Applicable	Adjustment	Adjustment Amount
1	Adjustments to increase (decrease) taxable income:				
2	Payroll Expense	RR-3-01	100%	<a href="#">RR-3</a> (3,167,130)	(3,167,130)
3	Payroll Taxes	RR-3-02	100%	(181,782)	(181,782)
4	Pension and Benefits Expense	RR-3-03	100%	(2,966,130)	(2,966,130)
5	Property and Liability Insurance	RR-3-04	100%	(81,292)	(81,292)
6	Leased Vehicles	RR-3-05	100%	(252,288)	(252,288)
7	General Inflation	RR-3-06	100%	(61,525)	(61,525)
8	Non-Recurring Costs in Test Year- Pre-Acquisition	RR-3-07	0%	4,402,458	0
9	Non-Recurring Costs in Test Year- Post-Acquisition (TSA)	RR-3-08	100%	761,183	761,183
10	NOT USED	RR-3-09	100%	0	0
11	Major Storm Reserve Fund	RR-3-10	100%	(609,141)	(609,141)
12	Depreciation Annualization and Rates	RR-3-11	100%	(300,024)	(300,024)
13	Depreciation Reserve Deficiency Amortization	RR-3-12	0%	(316,017)	0
14	Algonquin / Liberty Support Costs	RR-3-13	100%	(616,709)	(616,709)
15	Property Taxes	RR-3-14	26%	(405,612)	(103,603)
16	Other Revenue	RR-3-15	100%	4,144	4,144
17	Rate Case expense	RR-3-16	100%	(390,000)	(390,000)
18	Income Tax Expense- Test Year Actual	RR-3-18	0%	(1,754,470)	
19	Income Tax Expense- Test Year Adjusted at Current Rates	<i>This Schedule</i>			
20	Revenue	RR-3-19	100%	795,451	795,451
21	Bad Debt expense	RR-3-20	0%	(89,176)	0
22				<u>(5,228,060)</u>	<u>(7,168,846)</u>
23	Tax rate				40.53%
24	<b>Adjustment to Test Year at Current Rates</b>				<b><u>(2,905,533)</u></b>

This adjustment reflects income tax expense computed at statutory rates, related to the Company's adjustments.

RR-3-19 Granite State Electric Company  
vFINAL Adjustments to Test Year  
AD Adjustment 19  
Revenue at Current Rates  
Schedule RR-3-19

Line	Rate Class	Includes	Distribution Revenue at Current Rates (a)
1	Domestic	D	11,963,644
2	Domestic Off Peak 6	D-6	15,803
3	Domestic-Opt. Peak	D-10	133,499
4	General TOU	G-1	4,986,358
5	General Long Hour	G-2	3,068,341
6	General Service	G-3	3,446,059
7	Outdoor Lighting	M	582,429
8	Limited All Electric	T	460,428
9	Ltd Comm Space	V	8,540
10			24,665,101
11	Test Year Distribution Revenue	RR-2-1	23,869,650
12	<b>Adjustment to Rate Year at Current Rates</b>		<b>795,451</b>
13			
14	Based on delivered kWh=		924,629,419
15			
16	(a) Source: Marginal Cost Study Schedule 19		
17			

RR-3-20 Granite State Electric Company  
FINAL Adjustments to Test Year  
AD Adjustment 20  
Bad Debt Expense  
(\$000s)

Schedule RR-3-20

Line		2012	2011	2010	2009	2008
1	<b>Total</b>	2,309,197	445,905	376,043	530,092	538,880
2	Net Charge-Offs of Customer Accounts					
3		431,572,745	77,756,745	83,244,000	83,886,000	103,787,000
4	Total revenue	(745,251)	(117,251)	(143,000)	(136,000)	(231,000)
5	Less: Forfeited discounts	(1,533,642)	(283,642)	(401,000)	(312,000)	(213,000)
6	Less: Rental revenue	429,293,852	77,355,852	82,802,000	83,438,000	103,343,000
7						
8						
9	Charge-Offs as % of Revenue	0.54%	0.54%	0.46%	0.64%	0.52%
10						
11	Adjustment for 2012					
12	Revenue subject to Bad Debt Expense	77,355,852				
13	<b>Bad Debt Ratio</b>	<b>0.54%</b>				
14	Computed Bad Debt Expense	416,102				
15	Bad Debt Expense per Books	326,926				
16	<b>Adjustment to Bad Debt Expense- Test Year</b>	<b>89,176</b>				
17						

This adjustment reflects bad debt expense computed at the historical average rate, for the Test Year before adjustments. It also develops the bad debt expense rate to be applied to the Company's requested revenue increase.



RR-4 Granite State Electric Company  
vFIN Balance Sheets  
AL Test Year Ended Dec. 31, 2012  
RR

Granite State Electric Company  
d/b/a Liberty Utilities  
Docket DE 13-063  
Schedule RR-4  
Page 1 of 2

Schedule RR-4

Line	Description	Test Year Ended Dec. 31, 2012	FERC Form 1 Calendar Year Ending Dec. 31, 2011	FERC Form 1 Calendar Year Ending Dec. 31, 2010
1	<b>Assets</b>			
2	Utility plant	134,515,402	133,552,000	129,413,000
3	Depreciation reserve	(55,447,764)	(56,701,000)	(53,699,000)
4	CWIP	9,379,107	2,227,000	1,157,000
5	Net Utility plant	88,446,745	79,078,000	76,871,000
6				
7	Other property & investments	0	1,173,000	1,143,000
8				
9	<b>Current assets</b>			
10	Cash	3,830,343	3,908,000	3,355,000
11	Accounts receivable	10,194,712	10,772,000	9,144,000
12	Due from affiliates	3,000,000	2,555,000	6,342,000
13	Matls and supplies, Prepayments	2,345,312	2,962,000	1,246,000
14	Accrued revenues and other	1,715,239	1,237,000	1,328,000
15	Total Current assets	21,085,606	21,434,000	21,415,000
16				
17	Deferred debits	28,325,234	11,887,000	9,958,000
18	Goodwill	(5,497,205)	20,421,000	20,421,000
19	Total Other assets	22,828,030	32,308,000	30,379,000
20				
21	<b>Total Assets</b>	<b>132,360,381</b>	<b>133,993,000</b>	<b>129,808,000</b>
22				

Schedule RR-4

Line	Description	Test Year Ended Dec. 31, 2012	FERC Form 1 Calendar Year Ending Dec. 31, 2011	FERC Form 1 Calendar Year Ending Dec. 31, 2010
23	<b>Capitalization &amp; Liabilities</b>			
24	Capitalization			
25	Common stock	55,651,708	6,040,000	6,040,000
26	Preferred stock	0	0	0
27	Other Paid-in capital	0	40,054,000	40,054,000
28	Retained Earnings	(1,077,156)	33,302,000	33,543,000
29	Retained Earnings adjustments	0	(5,962,000)	(7,311,000)
30	Total Proprietary capital	54,574,552	73,434,000	72,326,000
31				
32	Long-term debt	32,000,000	15,000,000	15,000,000
33	Total Capitalization	86,574,552	88,434,000	87,326,000
34				
35	Current & accrued liabilities			
36	Notes payable	0	0	0
37	Accounts payable	10,980,264	7,693,000	6,617,000
38	Due to affiliates	469,201	879,000	965,000
39	Customer deposits	667,231	654,000	326,000
40	Accrued expenses	12,438,371	4,676,000	3,313,000
41	Total Current & accrued liabilities	24,555,067	13,902,000	11,221,000
42				
43	Deferred credits	21,230,761	8,422,000	10,509,000
44	Other Non-current liabilities		964,000	613,000
45	Customer advances for construction	0	0	0
46	Deferred income taxes	0	22,271,000	20,139,000
47	<b>Total Capitalization &amp; Liabilities</b>	<b>132,360,381</b>	<b>133,993,000</b>	<b>129,808,000</b>
48	<i>Check</i>	0	0	0

RR-5 Granite State Electric Company

vFIN  
AL

Rate Base

RR Balances at Dec. 31, 2012

Schedule RR-5

Granite State Electric Company  
d/b/a Liberty Utilities  
Docket DE 13-063  
Schedule RR-5  
Page 1 of 1

	Description	Test Year		5-Quarter Average	End of Test Year	Ref.	Description	Adjustments	Pro Forma Rate Base
		Average	2-point Average						
		RR-5-1	RR-5-1	RR-5-1					
1	Utility plant in service								
		RR-5-1	RR-5-1	RR-5-1					
2	Utility plant	133,479,804	134,059,185	134,059,185	134,515,402	RR-5-4	Additional in- service	3,830,500	138,345,902
3	Depreciation reserve	(54,720,071)	(55,619,574)	(55,619,574)	(55,447,764)	RR-5-4	Additional in- service	(175,448)	(55,623,211)
4	Net Utility plant	78,759,732	78,439,611	78,439,611	79,067,638			3,655,052	82,722,691
5									
6	Materials and Supplies	481,876	506,777	506,777	415,932		5 quarter avg	90,845	506,777
7	Prepayments	1,296,254	750,642	750,642	1,929,380		5 quarter avg	(1,178,738)	750,642
8	Cash Working Capital	0	0	0	0	RR-5-3	45 days	5,149,477	5,149,477
9	CWIP	5,357,954	5,032,516	5,032,516	9,379,107	Remove		(9,379,107)	0
10	Deferred Tax Debit	122,247	63,497	63,497	231,612	Remove		(231,612)	0
11	Accumulated Deferred FIT	2,610,398	3,450,139	3,450,139	0	RR-5-5	Computed	(21,695,836)	(21,695,836)
12	Other Deferred Credits	(14,057,711)	(11,032,625)	(11,032,625)	(21,042,739)	Remove		21,042,739	0
13	Deferred Tax Credit	(10,567,223)	(13,055,264)	(13,055,264)	0	Remove		0	0
14	Other Rate Base Items	15,611,335	11,619,345	11,619,345	28,064,224	Remove		(28,064,224)	0
15	Customer Deposits	(655,886)	(658,708)	(658,708)	(667,231)		5 quarter avg	8,523	(658,708)
16		78,958,976	75,115,929	75,115,929	97,377,922			(30,602,879)	66,775,043
17	Rate Base	78,958,976	75,115,929	75,115,929	97,377,922			(30,602,879)	66,775,043
18									
19	Net Operating Income	(502,733)	(502,733)	(502,733)					(2,825,260)
20									
21	Rate of Return on Rate Base	(0.64%)	(0.67%)	(0.67%)					(4.23%)
22									
23									
24									

Schedule RR-5-1

Line	Description	2-Point Average	5-Quarter Average	Dec. 31, 2011	Mar. 31, 2012	Jun. 30, 2012	Sep. 30, 2012	Dec. 31, 2012
1	Utility plant in service							
2	Utility plant	133,479,804	134,059,185	132,444,205	134,616,164	134,406,902	134,313,250	134,515,402
3	Depreciation reserve	(54,720,071)	(55,619,574)	(53,992,379)	(56,785,628)	(57,454,912)	(54,417,187)	(55,447,764)
4	Net Utility plant	78,759,732	78,439,611	78,451,827	77,830,536	76,951,990	79,896,063	79,067,638
5								
6	Materials and Supplies	481,876	506,777	547,820	668,126	600,994	301,012	415,932
7	Prepayments	1,296,254	750,642	663,128	75,373	523,453	561,874	1,929,380
8	Cash Working Capital	0	0	0	0	0	0	0
9	CWIP	5,357,954	5,032,516	1,336,801	2,909,061	4,542,885	6,994,724	9,379,107
10	Deferred Tax Debit	122,247	63,497	12,882	914	1,103	70,971	231,612
11	Accumulated Deferred FIT	2,610,398	3,450,139	5,220,795	5,995,344	6,034,557	0	0
12	Other Deferred Credits	(14,057,711)	(11,032,625)	(7,072,683)	(9,071,488)	(8,702,210)	(9,274,005)	(21,042,739)
13	Deferred Tax Credit	(10,567,223)	(13,055,264)	(21,134,447)	(22,031,889)	(22,109,985)	0	0
14	Other Rate Base Items	15,611,335	11,619,345	3,158,447	4,894,172	4,385,740	17,594,139	28,064,224
15	Customer Deposits	(655,886)	(658,708)	(644,541)	(657,032)	(655,421)	(669,312)	(667,231)
16		78,958,976	75,115,929	60,540,030	60,613,119	61,573,108	95,475,466	97,377,922
17	Rate Base	<b>78,958,976</b>	<b>75,115,929</b>					
18								

RR-5-2 Granite State Electric Company  
vFIN AL Materials & Supplies  
RR Test Year Ended Dec. 31, 2012

Schedule RR-5-2

Line	Description	5-Quarter Average		
		Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010
1	Materials & Supplies	506,777	554,220	461,824
2		506,777	554,220	461,824
3				
4				
5				
6	December 31 (prior year)	547,820	607,904	447,264
7	March 31	668,126	499,369	429,857
8	June 30	600,994	540,089	412,450
9	September 30	301,012	575,920	411,644
10	December 31 (this year)	415,932	547,820	607,904
11	Average	506,777	554,220	461,824
12				

RR-5-3 Granite State Electric Company  
vFIN AL Cash Working Capital  
RR Test Year Ended Dec. 31, 2012

Schedule RR-5-3

Line	Description	Reference	Test Year Actual	Adjustments	Test Year Pro Forma
1	O&M Expenses				
2	Transmission Expenses-O&M	Schedule RR-2	15,296,399	0	15,296,399
3	Distribution O&M	Schedule RR-2	5,319,666	1,825,213	7,144,879
4	Customer Accounting	Schedule RR-2	1,322,827	1,124,831	2,447,658
5	Customer Service & Information	Schedule RR-2	174,901	100,193	275,094
6	Administrative & General	Schedule RR-2	12,266,980	4,332,795	16,599,775
7			34,380,773	7,383,031	41,763,804
8					
9	Cash Working Capital Required- 45 days		12.33%	12.33%	12.33%
10					
11	Cash Working Capital Required		4,239,149	910,328	5,149,477
12					
13					
14					
15					

RR-5-4 Granite State Electric Company  
vFINAL Rate Base Adjustments-Capital Additions  
RR Test Year Ended Dec. 31, 2012

Schedule RR-5-4

Line	Description	Cost	Book Depreciation		Tax Depreciation		
			Rate <i>RR-3-11</i>	Expense	Method	Rate	Deduction
1	Capital Additions to March 31, 2013						
2	Fleet- See below	\$830,500	7.50%	\$62,288	MACRS5	20.00%	\$166,100
3		830,500		62,288			166,100
4							
5	In service at 12/31/2012, not yet closed out of CWIP- Estimated amount	3,000,000	3.77%	113,160	MACRS20	3.75%	112,500
6	<b>Total Capital Additions</b>	<b>\$3,830,500</b>		<b>\$175,448</b>			<b>\$278,600</b>
7		<i>To RR-5</i>		<i>To RR-5</i>			<i>To RR-5-6</i>
8				<i>To RR-5-6</i>			
9	Capital Additions to March 31, 2013						
10	45' Aerial Bucket Truck	157,000					
11	50' MH Aerial Bucket Truck	200,250					
12	50' MH Aerial Bucket Truck	200,250					
13	Digger Derrick	207,000					
14	2500 Pickup	35,000					
15	Dodge Dakota Pickup	31,000					
16		830,500					
17							

RR-5-5 Granite State Electric Company  
vFINAL Rate Base Adjustments- Plant-Related ADIT  
RR Test Year Ended Dec. 31, 2012

Schedule RR-5-5

Line	Description	Notes	Federal	State	Combined
1	<b>Balances at 03/31/2012</b>				
2	Depreciation Reserve- Tax	PowerTax report	\$89,039,292	\$92,481,823	
3	Bonus depreciation- Tax	State tax basis - Fed tax basis	15,001,132		
4	Repair Allowance- Tax	Book basis - Tax basis - Bonus	7,650,643	7,650,643	
5	Accumulated Depreciation- Book	Balance 3/31/2012	(56,785,628)	(56,785,628)	
6	Tax depreciation in excess of Book		54,905,439	43,346,838	
7	Statutory Tax Rates		35.00%	8.50%	
8	Tax effect at Statutory Rates		19,216,904	3,684,481	\$22,901,385
9	Federal effect of State				(1,289,568)
10	Rate Base Deferred Tax at 03/31/2012, adjusted				21,611,816
11					
12	<b>Activity 04/01/2012-07/02/2012</b>				
13	Repair Deduction		(327,565)	(327,565)	
14	Book Depreciation		1,221,803	1,221,803	
15	Tax Depreciation		(844,958)	(844,958)	
16	Cost of Removal		(317,829)	(317,829)	
17	Contribution in Aid of Construction		51,620	51,620	
18	AFUDC Debt		58,984	58,984	
19	State modifications			457,309	
20	Total Plant Timing		(157,945)	299,364	
21	Statutory Tax Rates		35.00%	8.50%	
22	Tax effect at Statutory Rates		55,281	(25,446)	29,835
23	Federal effect of State				8,906
24	<b>Rate Base Deferred Tax at 07/02/2012 (Pre-Acquisition ADIT balance )</b>				<b>\$21,650,557</b>
25					
26	<b>Post-Acquisition Capital Additions</b>		<b>Federal</b>	<b>State</b>	<b>Combined</b>
27	Book Depreciation	RR-5-8	(87,724)	(87,724)	
28	Tax Depreciation- Regular	RR-5-8	139,300	139,300	
29	Tax Depreciation- Bonus	50%	69,650		
30	Tax depreciation in excess of Book		121,226	51,576	
31	Statutory Tax Rates		35.00%	8.50%	
32	Tax effect at Statutory Rates		42,429	4,384	\$46,813
33	Federal effect of State				(1,534)
34	<b>Rate Base Deferred Tax at 12/31/2012 (ADIT related to Post-Acquisition Capital Additions )</b>				<b>\$45,279</b>
35	<b>Total Accumulated Deferred Income Tax Adjustment to Rate Base, 12/31/2012</b>				<b>\$21,695,836</b>



RR-5-6 Granite State Electric Company  
vFINAL Rate Base Adjustments- Actual ADIT on Historical Assets  
RR Test Year Ended Dec. 31, 2012

Schedule RR-5-6

Line	Account	Acct. No.	Balance 07/02/2012	Full Year Basis		Federal Tax Class	Full Year Basis		State	Combined
				Book Depreciation			Tax Depreciation			
				Rate	Expense		Federal Rate	Federal Tax Depreciation		
<b>Distribution Plant</b>										
1	Land and land rights	360	1,627,441	None		None		0		
2	Structures and improvements	361	369,982	2.56%	9,475	MACRS20	3.75%	13,874		
3	Station equipment	362	17,362,914	3.08%	534,244	MACRS20	3.75%	651,109		
4	Poles, towers and fixtures	364	25,627,618	4.29%	1,098,326	MACRS20	3.75%	961,036		
5	Overhead conductors, devices	365	34,849,460	3.63%	1,263,293	MACRS20	3.75%	1,306,855		
6	Underground conduit	366	4,577,090	2.20%	100,696	MACRS20	3.75%	171,641		
7	Underground conductors, device	367	9,726,252	3.66%	355,839	MACRS20	3.75%	364,734		
8	Line transformers	368	16,659,915	4.05%	675,402	MACRS20	3.75%	624,747		
9	Services	369	7,552,255	3.89%	293,699	MACRS20	3.75%	283,210		
10	Meters	370	4,558,214	5.45%	248,630	MACRS20	3.75%	170,933		
11	Leased Prop on Customers' Prem	372	1,170,298	4.17%	48,762	None		0		
12	Street lighting, signal system	373	4,225,154	5.00%	211,258	MACRS5	20.00%	845,031		
13	Other	101	244,285	None		None		0		
14	<i>Total Distribution Plant</i>		<u>128,550,877</u>		<u>4,839,623</u>			<u>5,393,169</u>		
15										
16										
<b>General Plant</b>										
17	Land	389	1,618,695		0	None		0		
18	Structures and Improvements	390	2,240,270	1.88%	42,005	MACRS20	3.75%	84,010		
19	Office Furniture and Equipment	391	28,780	4.00%	1,151	MACRS7	14.29%	4,113		
20	Transportation Equipment	392	82,354	7.50%	6,177	MACRS5	20.00%	16,471		
21	Stores Equipment	393	61,654	3.33%	2,055	MACRS7	14.29%	8,810		
22	Tools Shop and Garage Equipment	394	195,475	4.17%	8,145	MACRS7	14.29%	27,933		
23	Laboratory Equipment	395	236,238	4.00%	9,450	MACRS20	3.75%	8,859		
24	Communication Equipment	397	1,411,441	5.00%	70,572	MACRS7	14.29%	201,695		
25	<i>Total General Plant</i>		<u>5,874,906</u>		<u>139,554</u>			<u>351,891</u>		
26	Full year effect		<u>134,425,784</u>		<u>4,979,178</u>			<u>5,745,061</u>		
27	<b>Applicable to 07/03/2012-12/31/2012</b>			<b>50%</b>	<b>2,489,589</b>			<b>2,872,530</b>		
28										
29										

RR-5-6 Granite State Electric Company  
vFINAL Rate Base Adjustments- Actual ADIT on Historical Assets  
RR Test Year Ended Dec. 31, 2012

Schedule RR-5-6

Line	Account	Acct. No.	Balance 07/02/2012	Full Year Basis		Federal Tax Class	Federal Tax Rate	Federal Tax Depreciation	State	Combined
				Book Depreciation Rate	Expense					
30	Adjustment for Tax Basis after Section 338(h)(10) election / % of Original Cost					76,936,466	57.23%	1,644,047	1,644,047	
31	Tax Depreciation- Bonus						50%	822,024		
32	Book Depreciation							(2,489,589)	(2,489,589)	
33	Tax (Book) depreciation in excess of Book (Tax)							(23,518)	(845,542)	
34	Statutory Tax Rates							35.00%	8.50%	
35	Tax effect at Statutory Rates							(8,231)	(71,871)	(\$80,102)
36	Federal effect of State									25,155
37	<b>Actual ADIT related to Historical assets (Debit), 12/31/2012</b>									<b>(54,947)</b>
38										

RR-5-7 Granite State Electric Company  
vFINAL Rate Base Adjustments- Pro Forma ADIT on Historical Assets (Absent Acquisition)  
RR Test Year Ended Dec. 31, 2012

Line	Account	Full Year Basis		Full Year Basis		State	Combined
		Balance 07/02/2012	Expense	Tax Depreciation	Federal Tax Depreciation		
1	Full year effect	RR-5-6	4,979,178		5,745,061		
2	Applicable to 07/03/2012-12/31/2012		<u>50%</u>	<u>2,489,589</u>	<u>2,872,530</u>		
3							
4	Tax Depreciation			2,872,530	2,872,530		
5	Tax Depreciation- Bonus			1,436,265			
6	Book Depreciation			(2,489,589)	(2,489,589)		
7	Tax (Book) depreciation in excess of Book (Tax)			1,819,207	382,942		
8	Statutory Tax Rates			35.00%	8.50%		
9	Tax effect at Statutory Rates			636,722	32,550		\$669,272
10	Federal effect of State						(11,393)
11	Change in ADIT on Historical Assets (Absent Acquisition)- 7/03/2012 to 12/31/2012						657,880
12	ADIT on Historical Assets- 1/01/2012 to 7/02/2012					RR-5-5	21,650,557
13	Pro Forma ADIT on Historical Assets (Absent Acquisition)						<u>\$22,308,437</u>
14							
15	Actual ADIT related to Historical assets (Debit), 12/31/2012					RR-5-6	<u>(\$54,947)</u>
16	NOTE: Pro Forma ADIT on Historical Assets is greater than Actual ADIT; therefore use Pre-Acquisition ADIT from RR-5-5, line 24						
17							

RR-5-8 Granite State Electric Company  
FINAL Rate Base Adjustments- ADIT on Post-Acquisition Additions  
RR Test Year Ended Dec. 31, 2012

Schedule RR-5-8

Line	Account	Acct. No.	Balance 12/31/2012	Balance 07/02/2012	Post- Acquisition Additions	Full Year Basis Book Depreciation		Full Year Basis Tax Depreciation		Federal Tax Class	Federal Tax Rate	Federal Tax Depreciation
						Rate	Expense	Federal Tax Rate	Federal Tax Depreciation			
1	<b>Distribution Plant</b>											
2	<i>Total Distribution Plant</i>		128,550,877	128,421,377	129,500							0
3												
4	<b>General Plant</b>											
5	<i>Total General Plant</i>		6,004,526	6,004,526	0							0
6												
7	<b>Total</b>		134,555,404	134,425,904	129,500							0
8	Depreciation on assets not recorded	RR-5-4	3,830,500		3,830,500					MACRS20	3.75%	278,600
9	Full year effect		138,385,904	134,425,904	3,960,000							278,600
10	<b>Applicable to 07/03/2012-12/31/2012</b>		<b>50%</b>								<b>50%</b>	<b>139,300</b>
11												<i>To RR-5-5</i>

RR-6 Granite State Electric Company  
vFIN Weighted Average Cost of Capital  
AL Test Year Ended Dec. 31, 2012  
RR

Schedule RR-6

Line	Description	Refer- ence	Actual Balance	Adjust- ments	Pro Forma Balance	Capital Structure per Order	Weight	Refer- ence	Cost of Capital	Weighted Cost of Capital
1	Common stock	RR-4	55,651,708	0	55,651,708	55.00%	55.00%		10.50%	5.78%
2	Preferred stock	RR-4	0	0	0		0.00%			
3	Long-term debt	RR-4	32,000,000	13,533,216	45,533,216	45.00%	45.00%	RR-6-1	5.64%	2.54%
4	Short-term debt	RR-4	0	0	0		0.00%			
5			<b>87,651,708</b>	<b>13,533,216</b>	<b>101,184,924</b>	<b>100.00%</b>	<b>100.00%</b>			<b>8.32%</b>
6										
7	Debt re		45,533,216				55.00%			

RR-6-1 Granite State Electric Company  
FINAL Weighted Average Cost of Long-Term Debt  
RR Test Year Ended Dec. 31, 2012

Schedule RR-6-1

Line	Description	Date Issued	Interest Coupon	Maturity	Original Issue	Pro Forma Balance	Annual Interest Cost	Debt Issuance Costs	Annual Amortization	Total Annual Cost
1	First Colony Life-1		7.37%	11/01/23	5,000,000	5,000,000	368,500			368,500
2	First Colony Life-2		7.94%	07/01/25	5,000,000	5,000,000	397,000			397,000
3	Paul Revere Life		7.30%	06/15/28	5,000,000	5,000,000	365,000			365,000
4	2012 Issue-1	2012	3.7383%	2017	3,400,000	3,400,000	127,102	40,256	8,051	135,153
5	2012 Issue-2	2012	4.5935%	2022	7,900,000	7,900,000	362,890	93,536	9,354	372,244
6	2012 Issue-3	2012	4.9506%	2027	4,100,000	4,100,000	202,975	48,544	3,236	206,211
7	2012 Issue-4	2012	4.9506%	2027	1,500,000	1,500,000	74,259	17,760	1,184	75,443
8										
9	New Debt		4.6794%			13,533,216	633,273	160,233	10,682	643,955
10					<u>31,900,000</u>	<u>45,433,216</u>	<u>2,530,999</u>	<u>360,329</u>	<u>32,507</u>	<u>2,563,506</u>
11										
12	Annual Issuance Costs									
13	Total Annual Cost									<u>2,563,506</u>
14										
15	Outstanding Balance									45,433,216
16	Less: Unamortized Issuance Costs									<u>45,433,216</u>
17										
18										
19	Average Cost Based on Net Proceeds									<u>5.64%</u>
20										

**RR-6-2 Granite State Electric Company**  
**vFIN**  
**AL Historical Capital Structure and Capitalization Ratios**  
**RR Test Year Ended Dec. 31, 2012**

Schedule RR-6-2

Line	Description	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010
1	Common stock	55,651,708	6,040,000	6,040,000
2	Preferred stock	0	0	0
3	Retained earnings	(1,077,156)	27,340,000	26,232,000
4	Long-term debt	32,000,000	15,000,000	15,000,000
5	Short-term debt (year-end)	0	0	0
6		<b>86,574,552</b>	<b>48,380,000</b>	<b>47,272,000</b>
7				
8	Common stock	64.3%	12.5%	12.8%
9	Preferred stock	-	-	-
10	Retained earnings	(1.2%)	56.5%	55.5%
11	Long-term debt	37.0%	31.0%	31.7%
12	Short-term debt (year-end)	-	-	-
13		<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

RR-7 Granite State Electric Company  
vFIN Rate Case Expense  
AL Test Year Ended Dec. 31, 2012  
RR

Schedule RR 7

Line	Description	Vendor	Amount
1	See Schedule RR-3-16		
2			
3			
4			



# ALGONQUIN POWER & UTILITIES CORP. DIRECT CHARGE AND COST ALLOCATIONS MANUAL



This document outlines the methods of direct charge and cost allocations: (i) between Algonquin Power & Utilities Corp. and its affiliates Algonquin Power Company and Liberty Utilities (Canada) Corp.; (ii) between Liberty Utilities (Canada) Corp. and its regulated utility subsidiaries; and (iii) between Liberty Utilities (Canada) Corp.'s service companies and its regulated utility subsidiaries.

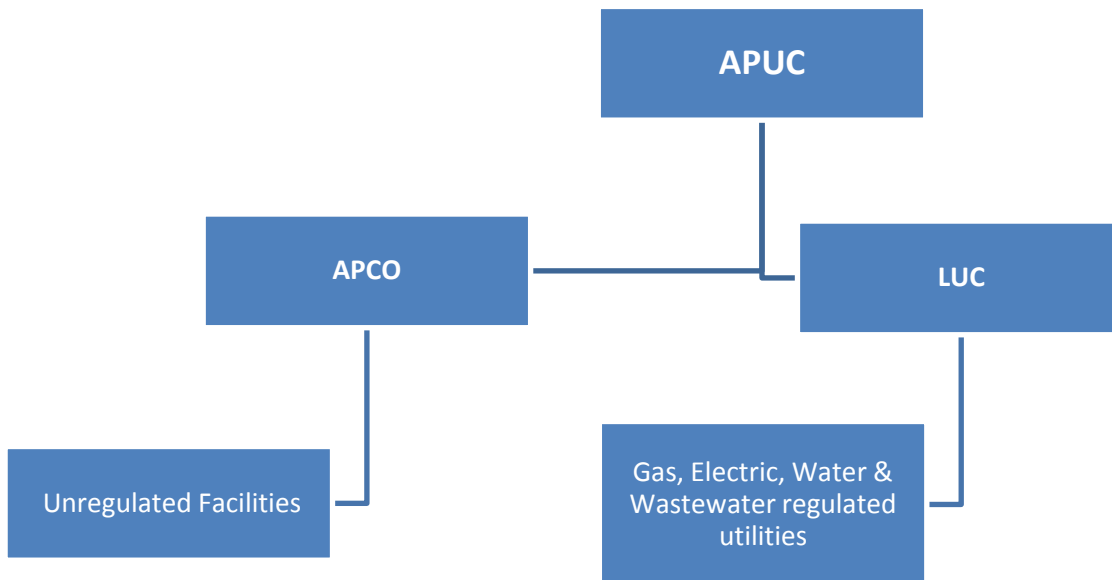
**ALGONQUIN POWER & UTILITIES CORP.  
COST ALLOCATION MANUAL**

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**I. INTRODUCTION**

The purpose of this paper is to provide a detailed explanation of services provided by Algonquin Power & Utilities Corp (“APUC”), Liberty Utilities (Canada) Corp. (“LUC”), and LUC’s service companies (the “Service Companies”) to the regulated utility assets and to describe the Direct Charge and Cost Allocation Methodologies used by APUC, LUC and the Service Companies. The following organization chart describes the relationships between the separate entities:



The following Cost Allocation Manual (“CAM”) has been completed in accordance and conformance with the “NARUC Guidelines for Cost Allocations and Affiliate Transactions”. More specifically, the founding principles of this Cost Allocation Manual is to a) directly charge as much as possible to the entity that procures any specific service, and b) to ensure that inappropriate subsidization of unregulated activities by regulated activities and vice versa does not occur. For ease of reference, the NARUC Guidelines are attached as Appendix 1.

Costs charged and allocated pursuant to this CAM shall include direct labor, direct materials, direct purchased services associated with the related asset or services, and overhead amounts.

- i. Tariffed rates or other pricing mechanisms established by rate setting authorities shall be used to provide all regulated services.

- ii. Services not covered by (i) shall be charged by the providing party to the receiving party at fully distributed cost.
- iii. Facilities and administrative services rendered to a rate-regulated subsidiary shall be charged on the following basis:

(1) the prevailing price for which the service is provided for sale to the general public by the providing party (i.e., the price charged to non-affiliates if such transactions with non-affiliates constitute a substantial portion of the providing party's total revenues from such transactions) or, if no such prevailing price exists, (2) an amount not to exceed the fully distributed cost incurred by the providing party in providing such service to the receiving party.

## **II. THE APUC CORPORATE STRUCTURE**

APUC's primary business is direct interest or equity ownership in renewable and thermal power generating facilities and regulated utilities. APUC owns a widely diversified portfolio of independent power production facilities and regulated utilities consisting of water distribution and wastewater treatment facilities and electric and gas utilities in Canada and the United States. APUC is publicly traded on the Toronto Stock Exchange. Its structure as a publicly traded holding company provides substantial benefits to its regulated utilities through access to capital markets and access to engineers, technicians, professional managers, and administrative staff, including trained plant operators and field supervisors.

APUC is the ultimate corporate parent and affiliate that provides financial, strategic management, corporate governance, administrative and support services to LUC and its subsidiaries as well as to the numerous unregulated utility assets held by APCo. The services provided by APUC are necessary for LUC and its subsidiaries to have access to capital markets for capital projects and operations, and are necessary in providing a high level of shared services at the lowest cost. These services are expensed at APUC and are performed for the benefit of APCo and LUC and their respective businesses.

APUC and its affiliates capitalize on APUC's expertise and access to the capital markets through the use of certain shared services, which maximizes economies of scale and minimizes redundancy. In short, it provides for maximum expertise at lower costs. Further, the use of shared expertise allows each of the entities to receive a benefit they may not be able to achieve on a standalone basis such as strategic management advice and access to capital at more competitive rates.

### **III. SCOPE OF SERVICES PROVIDED BY APUC TO ITS SUBSIDIARIES AND HOW THOSE COSTS ARE ALLOCATED**

#### ***A. Non-Labor Services and Cost Allocation from APUC to LUC and APCo***

APUC's non-labor services include Financing Services and Administrative Services. As used herein "Financing Services" means the selling of units to public investors in order to generate the funding and capital necessary for LUC and APCo as well as providing legal and treasury services in connection with the issuance of public debt. As used herein "Administrative Services" includes the following types of services: strategic management services, corporate governance, and administration and management services such as consultation on management and administration of all aspects of utility business, including economic and strategic analysis.

The capital and funds obtained from the sale of shares in APUC are used by LUC and APCo for current and future capital investments. The services provided by APUC are critical and necessary to LUC and APCo because without those services they would not have a readily available source of capital funding. Put another way, absent the services provided by APUC, each business, including each utility, would be forced to operate as stand-alone utilities, with resulting higher costs and operating expenses incurred by customers. In addition, the utilities would bare much greater risk due to a potential inability to obtain capital on a standalone basis.

The services provided by APUC specifically optimize performance of LUC, keeping rates low for customers while ensuring access to capital is available. If the utilities did not have access to the services provided by APUC, then they would be forced to incur associated costs for financing, capital investment, audits, taxes and other similar services on a stand-alone basis, which would substantially increase such costs. Simply put, without incurring these costs, APUC would not be able to invest capital in its subsidiaries, including the regulated utilities.

In connection with the provision of Financing and Administrative Services, APUC incurs the following types of costs: (i) strategic management costs (board of director, third-party legal services, accounting services, tax planning and filings, insurance, and required auditing); (ii) capital access costs (communications, trustee fees, escrow and transfer agent fees); (iii) financial control costs (audit and tax expenses); and (iv) administrative (rent, depreciation, general office costs. See Appendix 2 for a more detailed discussion of the costs incurred by APUC.

Non-labor costs, including corporate capital, are pooled and allocated to LUC and APCo using a Three Factor Methodology. The three factors in the Three Factors

Methodology are revenue, expenses, and plant-in-service. Each of the three factors are given equal weight, or 33.3%. Notwithstanding the above, if a charge is related either solely to the regulated utility business, *i.e.*, LUC, or to the power generation business, *i.e.*, APCo, then all of those costs will be allocated to the business segment for which they are incurred. Furthermore, costs directly attributable to a specific region (“Regional Costs”) are identified as such and allocated by LUC to the utilities in that region using the Utility Four Factor Methodology, as defined in Section IV. Lastly, if a cost can be directly attributable to a specific entity, it will be directly charged to that entity. For an example of how an invoice would be allocated, please see Appendix 3.

Certain costs, which are incurred for the benefit of APUC’s businesses, are not allocated to any subsidiary. These include costs such as donations, certain corporate travel, and certain overheads.

***B. Labor Services And Cost Allocation From APUC To LUC and APCo***

As described above, APUC provides benefits to the utilities it owns by use of certain shared services. Labor for services such as executive management, corporate accounting, treasury services, investor relations, and corporate finance are provided by APUC to LUC and APCo.

APUC charges labor rates at cost, which is the dollar hourly rate per employee as recorded in APUC’s payroll systems, grossed up for burdens such as payroll taxes, health benefits, retirement plans, and other insurance provided to employees. APUC allocates these costs to LUC and APCo using the Three Factor Methodology. As discussed in Section IV, LUC then allocates these costs to its regulated utilities using the Utility Four Factor Methodology.

***C. Labor Services And Cost Allocation From APCo To LUC***

From time to time, APCo may provide Engineering and Technical Labor to Liberty Utilities. These charges plus an allocation for corporate overheads such as rent, materials/supplies, etc. are capitalized and directly charged to the relevant utility.

**IV. SCOPE OF SERVICES PROVIDED BY LUC TO ITS SUBSIDIARIES AND APUC AND APCO AND HOW THOSE COSTS ARE ALLOCATED**

LUC provides its regulated utilities with the following services: accounting, corporate finance, human resources, information technology, rates and regulatory

affairs, environment, health and safety, and security, customer service, procurement, and utility planning. The following are examples of those services: (i) budgeting, forecasting, and financial reporting services including preparation of reports and preservation of records, cash management (including electronic fund transfers, cash receipts processing, managing short-term borrowings and investments with third parties); (ii) development of customer service policies and procedures; (iii) development of human resource policies and procedures; (iv) selection of information systems and equipment for accounting, engineering, administration, customer service, emergency restoration and other functions and implementation thereof; (v) development, placement and administration of insurance coverages and employee benefit programs, including group insurance and retirement annuities, property inspections and valuations for insurance; (vi) purchasing services including preparation and analysis of product specifications, requests for proposals and similar solicitations; and vendor and vendor-product evaluations; (vii) energy procurement oversight and load forecasting; and (viii) development of regulatory strategy.

Unless a charge can be directly attributable to a specific utility, LUC allocates its direct labor and direct non-labor costs, including capital costs, to its regulated utilities using a Utility Four Factor Methodology. LUC uses the Utility Four Factor Methodology to allocate Regional Costs to the utilities in that region and to allocate costs incurred for the benefit of all of its regulated assets (“System-Wide Costs”) to all of its utilities.

The “Four Factor Utility Methodology” allocates costs by relative size of the utilities. The methodology used by LUC involves (1) Utility Plant, (2) Total Customers, (3) Non-Labor Expenses, and (4) Labor as allocating factors, with each factor assigned a specific weight. LUC uses the following weights under this Four Factor Utility Methodology:

Utility Plant	50%
Customer Count	40%
Non-Labor Expenses	5%
Labor	5%
<b>Total</b>	<b>100%</b>

LUC also uses the Utility Four Factor Methodology to allocate to its regulated utilities the System-Wide indirect labor and indirect non-labor costs allocated to LUC from APUC. As discussed in Section III(A), Regional Costs charged to LUC from APUC are allocated to the utilities in that region using the Utility Four Factor Methodology.

The following simplified hypothetical example demonstrates how the Utility Four Factor Methodology would be calculated based on ownership of only two hypothetical utilities:

<b>FACTOR</b>	<b>Utility 1</b>	<b>Utility 2</b>	<b>TOTAL ALL UTILITIES</b>	<b>UTILITY 1 % OF TOTAL</b>	<b>FACTOR WEIGHT</b>	<b>UTILITY 1 ALLOCATION</b>
<b>UTILITY PLANT</b>	<b>727</b>	<b>371</b>	<b>1098</b>	<b>66%</b>	<b>50%</b>	<b>33%</b>
<b>CUSTOMER COUNT</b>	<b>6000</b>	<b>1000</b>	<b>7000</b>	<b>86%</b>	<b>40%</b>	<b>34%</b>
<b>LABOR COSTS</b>	<b>57</b>	<b>32</b>	<b>89</b>	<b>64%</b>	<b>5%</b>	<b>3%</b>
<b>EXPENSES</b>	<b>108</b>	<b>41</b>	<b>149</b>	<b>72%</b>	<b>5%</b>	<b>4%</b>
<b>TOTAL ALLOCATION</b>						<b>74%</b>

As can be seen from these hypothetical numbers, Utility 1 would be allocated 74% of total Administrative/Overhead Costs incurred by LUC, based on its relative size and application of the Utility Four Factor Methodology in comparison to Utility 2. Utility 2 would be allocated the remaining 26%. LUC has developed and utilized this methodology to better allocate costs, recognizing that larger utilities require more time and management attention and incur greater costs than smaller ones.

In addition, LUC provides information technology and some human resource services to APCo and APUC. These costs are directly charged to APCo and APUC.

**V. SERVICE COMPANY SERVICES AND COST ALLOCATION**

Some of LUC’s regulated utilities may receive services such as: billing and customer service; operations and engineering; environment, health and safety, and security; finance; information technology; regulatory; legal; and administrative services, *e.g.*, rent, insurance, and office services, from a Service Company.

Unless a charge can be directly attributable to a specific utility, billing and customer service costs are allocated on customer count. For an example of how this allocation works please see Appendix 4. Operations and engineering costs are directly charged based on timesheets to the relevant regulated utility. Unless a charge can be directly attributable to a specific utility, both labor and non-labor (including capital) environment, health and safety, and security, finance, information technology, regulatory, legal, and administrative costs are allocated using the Utility Four Factor Methodology.



**VI. ALLOCATION OF GAS PROCUREMENT SERVICES PROVIDED BY LIBERTY ENERGY UTILITIES (NEW HAMPSHIRE) CORP TO THE NATURAL GAS UTILITY SUBSIDIARIES OF LUC AND HOW THOSE COSTS ARE ALLOCATED**

LUC's natural gas utilities receive gas procurement services from a shared group that is housed out of New Hampshire. The group's non-labor costs are directly charged to specific assets. The gas procurement employees directly charge their time to specific assets as well. Any shared services that are provided, such as development of an overall hedging strategy, are allocated based on natural gas volumes.

## **I. Appendix**

### *Appendix 1: NARUC Guidelines for Cost Allocations*

#### **Guidelines for Cost Allocations and Affiliate Transactions:**

The following Guidelines for Cost Allocations and Affiliate Transactions (Guidelines) are intended to provide guidance to jurisdictional regulatory authorities and regulated utilities and their affiliates in the development of procedures and recording of transactions for services and products between a regulated entity and affiliates. The prevailing premise of these Guidelines is that allocation methods should not result in subsidization of non-regulated services or products by regulated entities unless authorized by the jurisdictional regulatory authority. These Guidelines are not intended to be rules or regulations prescribing how cost allocations and affiliate transactions are to be handled. They are intended to provide a framework for regulated entities and regulatory authorities in the development of their own policies and procedures for cost allocations and affiliated transactions. Variation in regulatory environment may justify different cost allocation methods than those embodied in the Guidelines.

The Guidelines acknowledge and reference the use of several different practices and methods. It is intended that there be latitude in the application of these guidelines, subject to regulatory oversight. The implementation and compliance with these cost allocations and affiliate transaction guidelines, by regulated utilities under the authority of jurisdictional regulatory commissions, is subject to Federal and state law. Each state or Federal regulatory commission may have unique situations and circumstances that govern affiliate transactions, cost allocations, and/or service or product pricing standards. For example, The Public Utility Holding Company Act of 1935 requires registered holding company systems to price "at cost" the sale of goods and services and the undertaking of construction contracts between affiliate companies.

The Guidelines were developed by the NARUC Staff Subcommittee on Accounts in compliance with the Resolution passed on March 3, 1998 entitled "Resolution Regarding Cost Allocation for the Energy Industry" which directed the Staff Subcommittee on Accounts together with the Staff Subcommittees on Strategic Issues and Gas to prepare for NARUC's consideration, "Guidelines for Energy Cost Allocations." In addition, input was requested from other industry parties. Various levels of input were obtained in the development of the Guidelines from the Edison Electric Institute, American Gas Association, Securities and Exchange Commission, the Federal Energy Regulatory Commission, Rural Utilities Service and the National

Rural Electric Cooperatives Association as well as staff of various state public utility commissions.

In some instances, non-structural safeguards as contained in these guidelines may not be sufficient to prevent market power problems in strategic markets such as the generation market. Problems arise when a firm has the ability to raise prices above market for a sustained period and/or impede output of a product or service. Such concerns have led some states to develop codes of conduct to govern relationships between the regulated utility and its non-regulated affiliates. Consideration should be given to any "unique" advantages an incumbent utility would have over competitors in an emerging market such as the retail energy market. A code of conduct should be used in conjunction with guidelines on cost allocations and affiliate transactions.

#### A. DEFINITIONS

1. Affiliates - companies that are related to each other due to common ownership or control.
2. Attestation Engagement - one in which a certified public accountant who is in the practice of public accounting is contracted to issue a written communication that expresses a conclusion about the reliability of a written assertion that is the responsibility of another party.
3. Cost Allocation Manual (CAM) - an indexed compilation and documentation of a company's cost allocation policies and related procedures.
4. Cost Allocations - the methods or ratios used to apportion costs. A cost allocator can be based on the origin of costs, as in the case of cost drivers; cost-causative linkage of an indirect nature; or one or more overall factors (also known as general allocators).
5. Common Costs - costs associated with services or products that are of joint benefit between regulated and non-regulated business units.
6. Cost Driver - a measurable event or quantity which influences the level of costs incurred and which can be directly traced to the origin of the costs themselves.
7. Direct Costs - costs which can be specifically identified with a particular service or product.
8. Fully Allocated costs - the sum of the direct costs plus an appropriate share of indirect costs.

9. Incremental pricing - pricing services or products on a basis of only the additional costs added by their operations while one or more pre-existing services or products support the fixed costs.
10. Indirect Costs - costs that cannot be identified with a particular service or product. This includes but not limited to overhead costs, administrative and general, and taxes.
11. Non-regulated - that which is not subject to regulation by regulatory authorities.
12. Prevailing Market Pricing - a generally accepted market value that can be substantiated by clearly comparable transactions, auction or appraisal.
13. Regulated - that which is subject to regulation by regulatory authorities.
14. Subsidization - the recovery of costs from one class of customers or business unit that are attributable to another.

## **B. COST ALLOCATION PRINCIPLES**

The following allocation principles should be used whenever products or services are provided between a regulated utility and its non-regulated affiliate or division.

1. To the maximum extent practicable, in consideration of administrative costs, costs should be collected and classified on a direct basis for each asset, service or product provided.
2. The general method for charging indirect costs should be on a fully allocated cost basis. Under appropriate circumstances, regulatory authorities may consider incremental cost, prevailing market pricing or other methods for allocating costs and pricing transactions among affiliates.
3. To the extent possible, all direct and allocated costs between regulated and non-regulated services and products should be traceable on the books of the applicable regulated utility to the applicable Uniform System of Accounts. Documentation should be made available to the appropriate regulatory authority upon request regarding transactions between the regulated utility and its affiliates.
4. The allocation methods should apply to the regulated entity's affiliates in order to prevent subsidization from, and ensure equitable cost sharing among the regulated entity and its affiliates, and vice versa.

5. All costs should be classified to services or products which, by their very nature, are either regulated, non-regulated, or common to both.

6. The primary cost driver of common costs, or a relevant proxy in the absence of a primary cost driver, should be identified and used to allocate the cost between regulated and non-regulated services or products.

7. The indirect costs of each business unit, including the allocated costs of shared services, should be spread to the services or products to which they relate using relevant cost allocators.

### **C. COST ALLOCATION MANUAL (NOT TARIFFED)**

Each entity that provides both regulated and non-regulated services or products should maintain a cost allocation manual (CAM) or its equivalent and notify the jurisdictional regulatory authorities of the CAM's existence. The determination of what, if any, information should be held confidential should be based on the statutes and rules of the regulatory agency that requires the information. Any entity required to provide notification of a CAM(s) should make arrangements as necessary and appropriate to ensure competitively sensitive information derived therefrom be kept confidential by the regulator. At a minimum, the CAM should contain the following:

1. An organization chart of the holding company, depicting all affiliates, and regulated entities.
2. A description of all assets, services and products provided to and from the regulated entity and each of its affiliates.
3. A description of all assets, services and products provided by the regulated entity to non-affiliates.
4. A description of the cost allocators and methods used by the regulated entity and the cost allocators and methods used by its affiliates related to the regulated services and products provided to the regulated entity.

### **D. AFFILIATE TRANSACTIONS (NOT TARIFFED)**

The affiliate transactions pricing guidelines are based on two assumptions. First, affiliate transactions raise the concern of self-dealing where market forces do not necessarily drive prices. Second, utilities have a natural business incentive to shift costs from non-regulated competitive operations to regulated monopoly operations since recovery is more certain with captive ratepayers. Too much flexibility will lead

to subsidization. However, if the affiliate transaction pricing guidelines are too rigid, economic transactions may be discouraged.

The objective of the affiliate transactions' guidelines is to lessen the possibility of subsidization in order to protect monopoly ratepayers and to help establish and preserve competition in the electric generation and the electric and gas supply markets. It provides ample flexibility to accommodate exceptions where the outcome is in the best interest of the utility, its ratepayers and competition. As with any transactions, the burden of proof for any exception from

the general rule rests with the proponent of the exception.

1. Generally, the price for services, products and the use of assets provided by a regulated entity to its non-regulated affiliates should be at the higher of fully allocated costs or prevailing market prices. Under appropriate circumstances, prices could be based on incremental cost, or other pricing mechanisms as determined by the regulator.

2. Generally, the price for services, products and the use of assets provided by a non-regulated affiliate to a regulated affiliate should be at the lower of fully allocated cost or prevailing market prices. Under appropriate circumstances, prices could be based on incremental cost, or other pricing mechanisms as determined by the regulator.

3. Generally, transfer of a capital asset from the utility to its non-regulated affiliate should be at the greater of prevailing market price or net book value, except as otherwise required by law or regulation. Generally, transfer of assets from an affiliate to the utility should be at the lower of prevailing market price or net book value, except as otherwise required by law or regulation. To determine prevailing market value, an appraisal should be required at certain value thresholds as determined by regulators.

4. Entities should maintain all information underlying affiliate transactions with the affiliated utility for a minimum of three years, or as required by law or regulation.

#### **E. AUDIT REQUIREMENTS**

1. An audit trail should exist with respect to all transactions between the regulated entity and its affiliates that relate to regulated services and products. The regulator should have complete access to all affiliate records necessary to ensure that cost allocations and affiliate transactions are conducted in accordance with the guidelines. Regulators should have complete access to affiliate records, consistent with state statutes, to ensure that the regulator has access to all relevant information necessary to

evaluate whether subsidization exists. The auditors, not the audited utilities, should determine what information is relevant for a particular audit objective. Limitations on access would compromise the audit process and impair audit independence.

2. Each regulated entity's cost allocation documentation should be made available to the company's internal auditors for periodic review of the allocation policy and process and to any jurisdictional regulatory authority when appropriate and upon request.

3. Any jurisdictional regulatory authority may request an independent attestation engagement of the CAM. The cost of any independent attestation engagement associated with the CAM, should be shared between regulated and non-regulated operations consistent with the allocation of similar common costs.

4. Any audit of the CAM should not otherwise limit or restrict the authority of state regulatory authorities to have access to the books and records of and audit the operations of jurisdictional utilities.

5. Any entity required to provide access to its books and records should make arrangements as necessary and appropriate to ensure that competitively sensitive information derived therefrom be kept confidential by the regulator.

#### **F. REPORTING REQUIREMENTS**

1. The regulated entity should report annually the dollar amount of non-tariffed transactions

associated with the provision of each service or product and the use or sale of each asset for the following:

a. Those provided to each non-regulated affiliate.

b. Those received from each non-regulated affiliate.

c. Those provided to non-affiliated entities.

2. Any additional information needed to assure compliance with these Guidelines, such as cost of service data necessary to evaluate subsidization issues, should be provided.

Source:

<http://www.naruc.org/Publications/Guidelines%20for%20Cost%20Allocations%20and%20Affiliate%20Transactions.pdf>



**Appendix 2 – Detailed Explanation of APUC Costs**

**1. APUC STRATEGIC MANAGEMENT COSTS**

Strategic management decisions are critical for any public utility. The need for strategic management is even more pronounced for APUC as a publicly traded company, which depends on access to capital funding through public sales of units. APUC seeks to hire talented strategic managers that aid in running each facility owned by the company as efficiently and effectively as possible. This ensures the long term health of each utility and ensures that rates are kept as low as possible without compromising the level of service. It also facilitates each regulated utility’s access to necessary capital funding at reduced costs. The costs included in Strategic Management Costs fall into the following categories.

**a. Board of Directors**

The Board of Directors provides strategic oversight on all company affairs including high level approvals of strategy, operation and maintenance budgets, capital budgets, etc. In addition, the Board of Directors provides corporate governance and ensures that capital and costs are incurred prudently, which ultimately protects ratepayers.

**b. General Legal Services**

General legal services involve legal matters not specific to any single facility, including review of audited financial statements, annual information filings, Sedar filings, review of contracts with credit facilities, incorporation, tax issues of a legal nature, market compliance, and other similar legal costs. These legal services are required in order for APUC to provide capital funding to individual utilities, without which the utilities could not provide adequate service. Additionally, the services ensure that APUC’s subsidiaries remain compliant in all aspects of operations and prevents those entities from being exposed to unnecessary risks.

**c. Professional Services**

Professional Services including strategic plan reviews, capital market advisory services, ERP System maintenance, benefits consulting, and other similar professional services. By providing these services at a parent level, the subsidiaries are able to benefit from economies of scale. Additionally, some of these services improve APUC’s access to capital which benefits all of its subsidiaries.

**2. ACCESS TO CAPITAL MARKETS**

One of APUC's primary functions is to ensure its subsidiaries have access to quality capital. APUC is listed on the Toronto Stock Exchange, a leading financial market. In order to allow its subsidiaries to have continued access to those capital markets, APUC incurs the following costs. These services and costs are a prerequisite to the subsidiaries' continued access to those capital markets.

**a. License and Permit Fees**

In connection with APUC's participation in the Toronto Stock Exchange, APUC incurs certain license and permit fees such as Sedar fees, annual filing fees, licensing fees, etc. These licensing and permit fees are required in order to sell units on the Toronto Stock Exchange, which in turn provides funding for utility operations.

**b. Escrow Fees**

In connection with the payment of dividends to unit holders, APUC incurs escrow fees. Escrow fees are incurred to ensure continued access to capital and ensure continuing and ongoing investments by shareholders. Without such escrow fees, APUC's subsidiaries would not have a readily available source of capital funding.

**c. Unitholder Communications**

Unit holder communication costs are incurred to comply with filing and regulatory requirements of the Toronto Stock Exchange and meet the expectations of shareholders. These costs include items such as news releases and unit holder conference calls. In the absence of shareholder communication costs, investors would not invest in the units of APUC, and in turn, APUC would not have capital to invest in its subsidiaries. With such communications services, the subsidiaries would not have a readily available source of capital funding.

**3. APUC FINANCIAL CONTROLS**

Financial control costs incurred by APUC include costs for audit services and tax services. These costs are necessary to ensure that the subsidiaries are operating in a manner that meets audit standards and regulatory requirements, which have strong financial and operational controls, and financial transactions are recorded accurately and prudently. Without these services, the regulated utilities would not have a readily available source of capital funding.

a. Audit Fees

Audits are done on a yearly basis and reviews are performed quarterly on all facilities owned by APUC on an aggregate level. These corporate parent level audits reduce the cost of the standalone audits significantly for utilities which must perform its own separate audits. Where standalone audits are not required, ratepayers receive benefits of additional financial rigor, as well as access to capital, and financial soundness checks by third parties. Finally, during rate cases, the existence of audits provides staff and intervenors additional reliance on the company records, thus reducing overall rate case costs. The aggregate audit is necessary for the regulated utilities to have continued access to capital markets and unit holders.

b. Tax Services

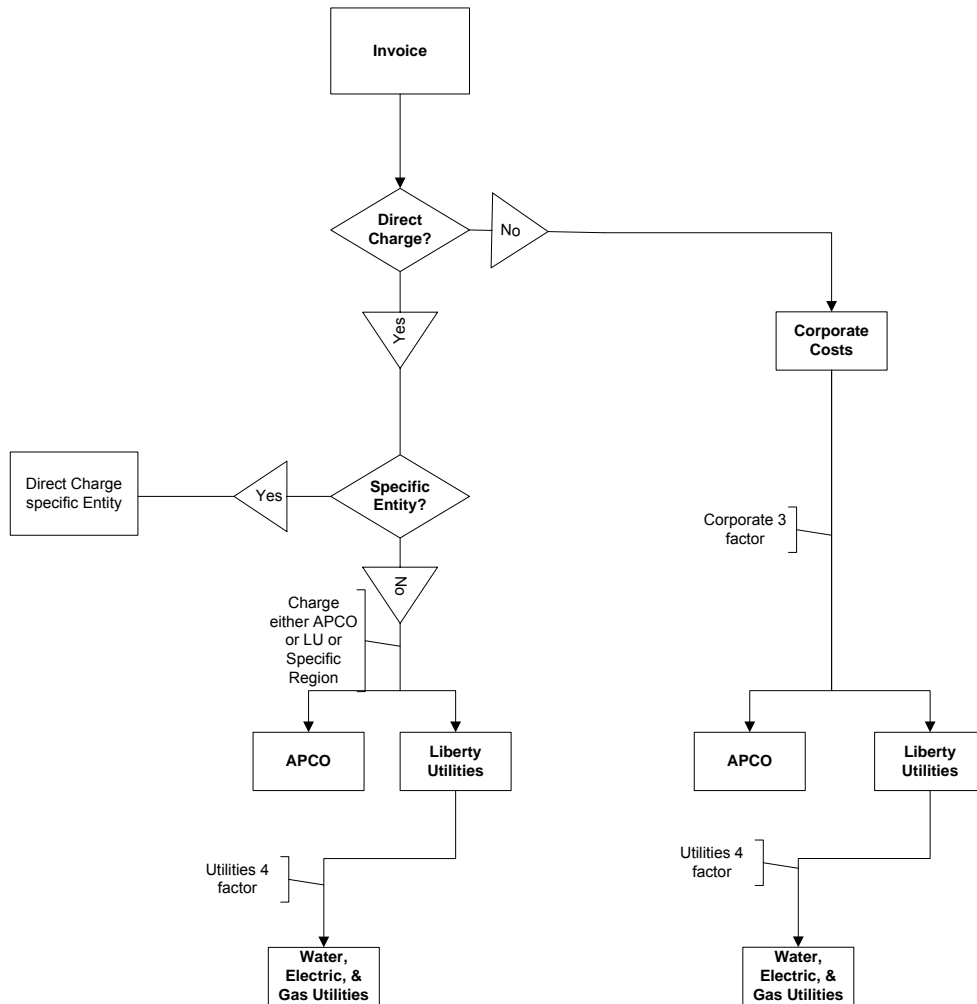
Taxes are paid on behalf of the regulated utilities at the parent level as part of a consolidated United States tax return. Tax services such as planning and filing are provided by third parties. Filing tax returns on a consolidated basis benefits each regulated utility by reducing the costs that otherwise would be incurred by such utility in filing its own separate tax return.

4. APUC ADMINISTRATIVE COSTS

Finally, administrative costs incurred by APUC such as rent, depreciation of office furniture, depreciation of computers, and general office costs are required to house all the services mentioned above. Without these administrative costs, the employees of APUC could not perform their work and provide the necessary services to the regulated utilities. These administrative costs also include training for corporate employees. The Three Factor Methodology is used to allocate these costs.

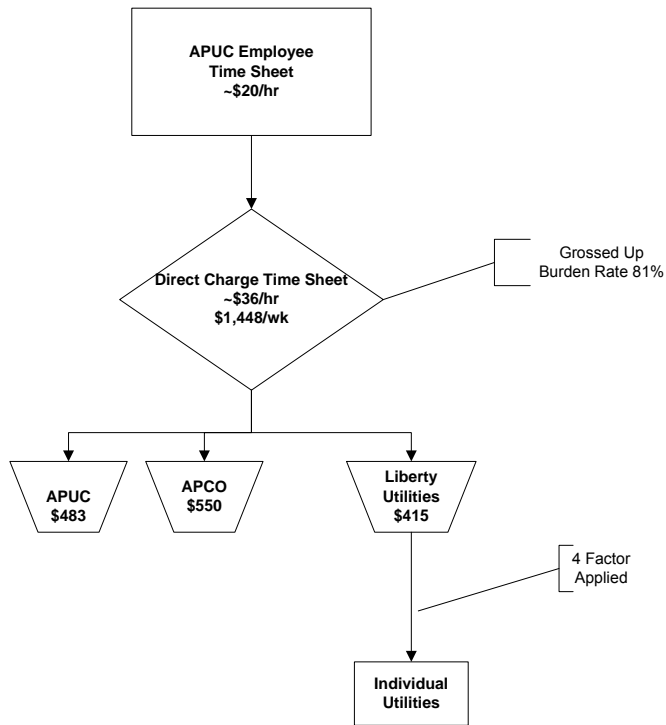
**APPENDIX 3 – LIFE OF AN INVOICE**

A hypothetical example is being provided of an invoice received by APUC for services to be allocated to its subsidiaries. The below diagram is intended to visually communicate APUC’s allocation to APCo and Liberty Utilities.



**APPENDIX 4 - LABOR ALLCOATION EXAMPLE**

The following simplified example demonstrates how an APUC employee's labor costs would be allocated to the regulated utilities:



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NET EFFECT OF REMOVING NATIONAL GRID TSA COSTS<sup>1</sup>

1	Non-recurring Test Year costs (RR-3-07 line 34)	\$4,402,458
2	Non-recurring Post-Acquisition costs (RR-3-08 line 23)	761,183
3	Higher Payroll, Pension, Benefits (RR-1-2 line 14)	(4,196,172)
4	Full year Algonquin / Liberty support (RR-3-13 line 10)	<u>(616,709)</u>
5	Lower revenue requirement resulting from removing TSA costs	<u><b>\$350,760</b></u>

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<sup>1</sup> All TSA costs are not being removed. Only the labor component and a few other minor adjustments.

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Line	Description	Substation	OH Conductors	OH Conductors	UG Conduits	UG Conductors, Devices	Structures	Fleet	Total
	<u>FERC Account</u>	362	364	365	366	367	390	392	
1	Deferred Tax Calculation								
2	Capital Spending	3,755,000	837,500	925,000	325,000	237,500	1,382,500	1,714,500	9,177,000
3									
4	Tax method	MACRS20	MACRS20	MACRS20	MACRS20	MACRS20	MACRS20	MACRS5	
5	Tax Depr. Rate, 20-year MACRS	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	20.00%	
6									
7	Annual Tax Depreciation- Year 1	140,813	31,406	34,688	12,188	8,906	51,844	342,900	622,744
8									
9	Book Depreciation Rate- Year 1	1.54%	2.14%	1.81%	1.10%	1.83%	0.94%	3.75%	
10	Annual Book Depreciation	57,827	17,946	16,766	3,575	4,344	12,961	64,294	177,713
11									
12	Tax over (under) Book	82,986	13,460	17,922	8,613	4,562	38,883	278,606	445,031
13	<b>Deferred Tax Balance @ 40.53%</b>	33,634	5,455	7,264	3,491	1,849	15,759	112,919	180,371
14									
15	<u>Rate Base Calculation</u>								
16	Plant in Service	3,755,000	837,500	925,000	325,000	237,500	1,382,500	1,714,500	9,177,000
17	Accumulated Depreciation	(57,827)	(17,946)	(16,766)	(3,575)	(4,344)	(12,961)	(64,294)	(177,713)
18	Deferred Tax Balance	(33,634)	(5,455)	(7,264)	(3,491)	(1,849)	(15,759)	(112,919)	(180,371)
19	<b>Rate Base</b>	<b>3,663,539</b>	<b>814,098</b>	<b>900,971</b>	<b>317,934</b>	<b>231,307</b>	<b>1,353,780</b>	<b>1,537,287</b>	<b>8,818,916</b>
20									
21	<u>Revenue Requirement Calculation</u>								
22	Return on Rate Base @ 12.33%	451,549	100,342	111,049	39,187	28,510	166,860	189,478	1,086,974
23	Depreciation Expense	57,827	17,946	16,766	3,575	4,344	12,961	64,294	177,713
24	Property Tax, Insurance @ 2.66%	99,760	22,250	24,575	8,634	6,310	36,729	45,549	243,807
25	<b>Annual Revenue Requirement</b>	<b>609,136</b>	<b>140,538</b>	<b>152,389</b>	<b>51,396</b>	<b>39,164</b>	<b>216,550</b>	<b>299,321</b>	<b>1,508,495</b>
26	Less: Leased vehicles in rates (including bad debt expense, CWC and return)							(258,028)	(258,028)
27		<b>609,136</b>	<b>140,538</b>	<b>152,389</b>	<b>51,396</b>	<b>39,164</b>	<b>216,550</b>	<b>41,293</b>	<b>1,250,467</b>
28	Annual kWh Delivered								924,629,419
29	<b>Rate per kWh</b>								<b>\$0.00135</b>
30									
31	<u>Rate of Return Calculation</u>	Portion		After-Tax Co:	WACC		Pre-Tax	Bad Debt	
32	Equity	55.0%		10.50%	5.78%		9.72%	9.77%	
33	Debt	45.0%		5.64%	2.54%		2.54%	2.55%	
34		100.0%			8.32%		12.26%	12.33%	
35	Bad Debt adder							0.54%	
36									
37	2013 Capital Projects	Substation	Poles, Towers, Fixtures	OH Conductors	UG Conduits	UG Conductors, Devices	Structures	Fleet	Total
38	04381 Michael Ave Substation	2,900,000							2,900,000
39	04384 Hanover Sub-New 6L2 Reg	350,000							350,000
40	04383 Craft Hill Sub- New 11L1 I	255,000							255,000
41	1L4 Replacement Regulators	250,000							250,000
42	11255 Michael Ave Getaway		237,500	237,500	237,500	237,500			950,000
43	11484 Enfield Supply		600,000	600,000					1,200,000
44	7L1 Line Regulator Upgrade - Canaan			87,500	87,500				175,000
45	Other Capital Improvements (Estimated)						400,000		400,000
46	Capital improvements to existing buildings						400,000		400,000
47	Security Conversion GSE						82,500		82,500
48	9 Lowell Rd. Salem Build Out						500,000		500,000
49	Replacement Vehicles							1,714,500	1,714,500
50	Total	3,755,000	837,500	925,000	325,000	237,500	1,382,500	1,714,500	9,177,000
51									

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ESTIMATED RATE CASE EXPENSES

<b>Description</b>	<b>Reference</b>	<b>Amount</b>
Rate case expense		300,000
Depreciation study		90,000
		<u>390,000</u>
Number of years amortization		1
Annual amortization expense		<u>390,000</u>
Revenue Requirement	Howard S. Gorman	44,000
Cost of Capital	Bob Hevert, CFA	82,600
Rate Design	Howard S. Gorman	30,000
Marginal Cost Study	Howard S. Gorman	55,000
Supplies, Printing		10,000
Miscellaneous		78,400
subtotal		<u>300,000</u>
Depreciation Study	Dane Watson	90,000
Total		<u>\$ 390,000</u>