

PROVISION OF ELECTRIC SERVICES  
COST ADJUSTMENT AND SETTLEMENT AGREEMENT

This Provision of Electric Services Cost Adjustment and Settlement Agreement (“Agreement”) dated as of April 11, 2014 (“Effective Date”) is entered into by and between Liberty Utilities (Granite State Electric) Corp. (“GSEC”), formerly known as Granite State Electric Company, a New Hampshire corporation having a place of business at 11 Northeastern Boulevard, Salem, NH 03079, and Massachusetts Electric Company d/b/a National Grid (“MECO”), having a principal place of business at 40 Sylvan Road, Waltham, MA 02451 (GSEC and MECO shall be referred to hereinafter collectively as the “Parties” and individually as a “Party”).

Whereas, MECO customers residing near the New Hampshire border in Methuen, Massachusetts on or near Hampshire Road (“Customers”) have received electric service from MECO that was procured by GSEC and delivered over distribution facilities and equipment owned, controlled, and/or operated by GSEC (the “Distribution Facilities”) for a period of time commencing on or before 2003 through the present date (“Electric Service”);

Whereas, the Parties entered into a borderline sales service agreement (“Borderline Sales Agreement”) with respect to Electric Service to the Customers effective as of October 1, 2012 (“Effective Date of the Borderline Sales Agreement”);

Whereas, MECO and GSEC both desire to enter into this Agreement to memorialize their understanding and agreement with respect to an adjusted payment to be made directly from MECO to GSEC covering costs associated with the provision of Electric Service to the Customers prior to the Effective Date of the Borderline Sales Agreement (“Service Period”), a portion of which was associated with commodity service and provided beyond the period defined through the settlement process of ISO New England.

Now therefore, in consideration of the mutual representations, covenants, and agreements hereinafter set forth, and intending to be legally bound hereby, the Parties hereto covenant and agree as follows.

I. Service Payment. MECO shall pay to GSEC an amount equal to \$841,722.00 dollars plus the Initial Payment Interest (defined below) for the provision of Electric Service to the Customers during the Service Period (hereinafter referred to as the “Service Payment”), in accordance with and pursuant to the payment schedule set forth below.

a. Initial Payment. Within 15 business days of the Effective Date of this Agreement, MECO shall pay to GSEC an amount equal to \$716,722.00 dollars plus the Initial Payment Interest, hereinafter defined (“Initial Payment”). The amount stated above includes interest at the prime rate reported in the Wall Street Journal on the first business day of the month preceding the beginning of each calendar quarter as is determined pursuant to N.H. Code Admin. Rules Puc 1203.03(1)(3) (“Prime Rate”) through December 31, 2013. The “Initial Payment Interest” shall be equal to interest at

the Prime Rate calculated on \$716,722.00 from January 1, 2014 through the date such payment is made by MECO.

b. Payment Upon Receipt of FERC Approval. Within 15 business days of GSEC's written notice to MECO that FERC Approval (hereinafter defined) has been granted (with evidence of such approval), provided this Agreement has not been terminated by either Party in accordance with Section 3, MECO shall pay to GSEC an amount equal to \$125,000.00.

Both Parties understand and agree that the Service Payment is being made directly from MECO to GSEC as the sole and exclusive settlement process for the costs associated with the provision of Electric Service to the Customers during the Service Period. MECO's payment to GSEC is made in good faith and with the spirit and intent that GSEC customers should not bear the cost of electric service used and consumed by Massachusetts' residents. This payment shall not be construed as any admission of liability for such payments. This payment shall represent a full settlement and reconciliation of any and all amounts due to GSEC for all costs, fees, interest, charges, and liabilities related to the Electric Service during the Service Period.

2. Allocation of Initial Payment. GSEC covenants and agrees that the Initial Payment made by MECO under Section 1.a. of this Agreement will be credited entirely to GSEC customers, and shall not be used for any other purposes, or allocated or re-distributed in any other manner. The provisions of this Section shall survive any termination of the Agreement.

3. Federal Energy Regulatory Commission. GSEC shall file this Agreement with the Federal Energy Regulatory Commission ("FERC") as a Settlement Agreement to resolve a billing error for the provision of borderline services under GSEC's FERC borderline tariff and shall obtain FERC acceptance or approval of this Agreement ("FERC Approval"). The Parties covenant and agree to cooperate with one another, to use their best efforts, and to take and perform all actions reasonably necessary to obtain FERC Approval, including participating in pre-filing meetings. Prior to making any filings with FERC, the Party making the filing shall provide the other Party with a reasonable opportunity to review and comment on, and request revisions to, such filing. No Party shall make any Initial Filings with FERC with respect to this Agreement without the other Party's prior approval, which approval shall not be unreasonably withheld, conditioned, or delayed. "Initial Filings" shall be defined to mean GSEC's filing of the Settlement Agreement and MECO's comments in support of such filing. Neither Party shall (i) take any action that may tend to delay, hinder, or prevent the FERC Approval process, or (ii) petition FERC for, support, or otherwise consent to, any revision or modification to this Agreement unless such revision or modification is satisfactory to both Parties. Each Party shall bear its own costs, fees, and expenses incurred to comply with this provision.

This Agreement may be terminated by either Party by written notice to the other Party if FERC takes any action that requires any modification to this Agreement that is not consistent with the terms and conditions agreed upon herein by the Parties (including any reallocation of costs). In the event this Agreement is terminated by either Party in accordance with this provision, the Parties covenant and agree to negotiate in good faith to resolve any remaining

dispute with respect to the subject matter of this Agreement, and this covenant between the Parties shall survive the termination of this Agreement.

4. Release. GSEC, for itself, its agents, servants, employees, officers, directors, attorneys, parent company, affiliates, subsidiaries, successors and assigns (collectively "GSEC Parties"), upon MECO's payment of the Initial Payment under paragraph 1.a. of this Agreement, hereby remises, releases and forever discharges MECO, its agents, servants, employees, officers, directors, attorneys, parent companies, affiliates, subsidiaries, successors and assigns (collectively "MECO Parties"), of, from, and against all costs, fees, debts, demands, actions, causes of action, suits, accounts, covenants, contracts, agreements, damages, and any and all claims, demands and liabilities whatsoever of every name and nature, both in law and in equity, whether known or unknown, which against MECO and/or MECO Parties, GSEC and/or GSEC Parties now have, ever had, or may come to have arising out of or relating to the use of the Distribution Facilities including, without limitation, for the Electric Service to the Customers, during the Service Period. Notwithstanding the foregoing, unless and until payment under paragraph 1.b of this Agreement is made by MECO, this release shall not cover base distribution charges for MECO's use of the Distribution Facilities during the Service Period to provide Electric Service to the Customers. The provisions of this Section shall survive any termination of this Agreement.

5. Covenant Not To Sue. GSEC, for itself and on behalf of the GSEC Parties, upon MECO's payment of the Initial Payment under paragraph 1.a. of this Agreement, covenants not to sue and agrees that GSEC and the GSEC Parties shall not, at any time hereafter, either directly or indirectly, initiate, assign, maintain or prosecute, or in any way knowingly aid, participate, or assist in the initiation, maintenance or prosecution of any claim, demand or cause of action at law or otherwise, against MECO or the MECO Parties, related to or in any way connected with the use of the Distribution Facilities including, without limitation, for the Electric Service to the Customers, during the Service Period. Notwithstanding the foregoing, unless and until payment under paragraph 1.b of this Agreement is made by MECO, this covenant not to sue shall not cover base distribution charges for MECO's use of the Distribution Facilities during the Service Period to provide Electric Service to the Customers. The provisions of this Section shall survive any termination of this Agreement.

6. Entire Agreement. This Agreement constitutes the entire Agreement and understanding between the Parties. No representation, promise, understanding or agreement of any kind whatsoever regarding the matters referenced herein that is not set forth in this Agreement shall be valid, binding, or enforceable. All prior negotiations between or among the Parties or their agents are merged into this Agreement, which supersedes all prior agreements, promises, covenants, arrangements, representations or warranties, whether oral or written, between the Parties, relating to the Electric Service during the Service Period, whether addressed herein or otherwise.

7. Choice of Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts (regardless of the laws that might otherwise govern under applicable principles of conflicts of law) as to all matters, including matters of validity, construction, effect, performance, and remedies.

8. Interpretation and Construction. The article and section headings contained in this Agreement are solely for the purpose of reference, are not part of the agreement of the Parties and shall not in any way affect the meaning or interpretation of this Agreement. For purposes of this Agreement, the term “including” shall mean “including, without limitation”. The Parties acknowledge that each Party and its counsel have reviewed and/or revised this Agreement and that any rule of construction to the effect that any ambiguities are to be resolved against the drafting Party shall not be employed in the interpretation of this Agreement, and that it is the result of joint discussion and negotiation.

9. Counterparts and Binding Nature of Agreement. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement shall be binding upon and inure solely to the benefit of the Parties hereto and their respective successors. This Agreement may not be assigned in whole or in part.

10. Modifications. No supplement, modification, change, or waiver of this Agreement or any provision thereof shall be binding unless executed in writing by an authorized representative of the Parties to be bound thereby.

11. Notice. Any written notice, demand, or request required or authorized in connection with this Agreement shall be deemed properly given on the date actually delivered in person, or three (3) business days after being sent by certified mail, postage prepaid and return receipt requested, to the Parties at their respective address listed above Attn. Alexandra Blackmore, Assistant General Counsel & Director, for MECO, and Attn. Sarah Knowlton, Assistant General Counsel, Liberty Energy Utilities (New Hampshire) Corp. for GSEC.

12. Severability. If any provision of this Agreement or the application thereof is held invalid, the invalidity shall not affect other provisions or applications of the Agreement which can be given effect without the invalid provisions or applications so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party.

Each person executing this Agreement represents that he or she is duly authorized to do so by the Party on whose behalf he or she has signed.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their respective authorized officials as of the date first written above.

LIBERTY UTILITIES (GRANITE STATE ELECTRIC) CORP.

By: Richard H. Johnson  
Its: SBE  
Duly Authorized President

MASSACHUSETTS ELECTRIC COMPANY

By: \_\_\_\_\_  
Its: \_\_\_\_\_  
Duly Authorized

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their respective authorized officials as of the date first written above.

LIBERTY UTILITIES (GRANITE STATE ELECTRIC) CORP.

By: \_\_\_\_\_  
Its: \_\_\_\_\_  
Duly Authorized President

MASSACHUSETTS ELECTRIC COMPANY

By: Mary Reed  
Its: President  
Duly Authorized

**SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED**

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Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.

Executive.Director@puc.nh.gov  
amanda.noonan@puc.nh.gov  
Christina.Martin@oca.nh.gov  
david.wiesner@puc.nh.gov  
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tom.frantz@puc.nh.gov

Docket #: 14-031-1      Printed: April 17, 2014

**FILING INSTRUCTIONS:**

- a) Pursuant to N.H. Admin Rule Puc 203.02 (a), with the exception of Discovery, file 7 copies, as well as an electronic copy, of all documents including cover letter with:

DEBRA A HOWLAND  
EXECUTIVE DIRECTOR  
NHPUC  
21 S. FRUIT ST, SUITE 10  
CONCORD NH 03301-2429

- b) Serve an electronic copy with each person identified on the Commission's service list and with the Office of Consumer Advocate.
- c) Serve a written copy on each person on the service list not able to receive electronic mail.