EXHIBIT
#2
DE 15-147

THE STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

UNITIL ENERGY SYSTEMS INC
Proposal to Recover Displaced Distribution Revenue due to Net Metering

Docket No. DE 15-147

SETTLEMENT AGREEMENT

This Settlement Agreement concerning a Proposal to Recover Displaced Distribution Revenue due to Net Metering ("Settlement Agreement") is entered into this 8th day of April 2016, by and among Unitil Energy Systems ("UES," or "the Company"), the Office of Consumer Advocate ("OCA") and the Staff of the New Hampshire Public Utilities Commission ("Staff") (together, "the Settling Parties"), and is intended to resolve all outstanding issues in the above-captioned docket.

I. INTRODUCTION AND PROCEDURAL HISTORY

1.1. This docket was opened by the Commission on May 14, 2015, upon the filing by UES of its proposal to recover displaced revenue due to net metering generation through its External Delivery Charge ("EDC") rate. The EDC rate is a reconciling rate factor consisting of several components, the filing of which is typically made by the Company during June, for rates effective August 1 of that same year. The Company's proposal would add an additional component to the EDC, for review by and subject to the approval of the Commission. Earlier, in Docket DE 14-170, the Company had submitted a similar proposed to recover lost distribution revenue due to net metering generation. The Company subsequently moved to withdraw that proposal, without objection by the Staff and the OCA, and which was granted at hearing by the Commission without prejudice. Order No. 25,698 at 5.

1.2. Pursuant to RSA 362-A:9,VII, a distribution utility may perform an annual calculation to determine the net effect of net metering on its default service and distribution revenues and expenses in the prior calendar year, and allowing for a reconciliation mechanism to collect or credit any such net effects with appropriate carrying charges and credits applied, as determined by the Commission. New Hampshire Code Admin. Rule Puc 903.02(o) sets forth the process whereby an electric distribution utility may petition the Commission for reconciliation of the net effects of net metering on its default service and distribution revenues. In its proposal, Unitil seeks recovery of a total of $41,628, of which $15,261 is attributable to 2013, and $26,367 to 2014.

1.3. By letter dated May 18, 2015, the OCA notified the Commission that it would be participating in this proceeding on behalf of residential ratepayers consistent with RSA 363:28. There were no other interveners in the docket.

1.4. On June 4, 2015, the Commission issued an Order of Notice requiring that a Prehearing Conference be held before the Commission on June 23, 2015, to be immediately followed by a Technical Session. Following the prehearing conference the Settling Parties met in a technical session and agreed upon a Procedural Schedule, which was approved by Secretarial Letter dated July 13, 2015.

1.5. The Staff issued written discovery requests to the Company, and a second Technical Session to review the Company's responses and other aspects of the filing, and to discuss the possibility of settlement, was held on August 5, 2015. Additional written discovery requests were submitted to the Company after the second Technical Session, and were duly responded to by the Company.

1.6. On January 25, 2016, the Staff submitted a letter to the Commission stating that Staff had concluded that the method used by Unitil to derive the amount of revenue displaced by net metering is appropriate, and that a settlement agreement was in the process of being drafted.

II. TERMS OF SETTLEMENT

2.1. The Settling Parties agree that the methodology proposed by the Company to estimate the displaced revenue associated with net metering is reasonable, and satisfies the requirements of RSA 362-A:9,VII and Puc 903.02(o).

2.2. The calculation of the displaced revenue is arrived at as follows: (1) The nominal DC size of each net metering generation unit installed on the Company's system is used to estimate an annual level of kWh displaced by the net metering generation unit. The calculation of the kWh displaced per kW of AC generation installed is based on the PVWatts®[1] Calculator generation model using a 125% DC to AC ratio for the Concord airport location TMY2. (2) The annual level of kWh displaced is then apportioned to each calendar month. (3) Distribution rates are used to assess the individual unit distribution revenues displaced by net metering generation. For residential customers which have block distribution rates, the amount of displaced kWh is appropriately assigned to the correct consumption block based on customer billing kWh. (4) For those customers who had surplus

[1] PVWatts® Calculator is produced by the National Renewable Energy Laboratory and estimates the energy production and cost of energy of grid-connected photovoltaic (PV) energy systems throughout the world.

kWh produced in a month (the customer generated more than they consumed), only the amount that actually displaced energy delivered by the Company is included in the calculation of displaced distribution revenue. (5) For those customers who had installed generation prior to or during the 2009 test year utilized in the Company's most recent rate case (DE 10-055) the generated kWh is either excluded fully or only included for the period of 2009 prior to installation. (6) Each net metering generation unit's displaced distribution revenues is summed to arrive at the total cost estimate of displaced distribution revenue.

2.3. A sample schedule using this methodology showing the calculation of displaced distribution revenue associated with net metering for the year 2013 is attached as Settlement Agreement Schedule 1.

2.4. The Settling Parties also agree that in the Company's next EDC filing due in June 2016, Unitil shall be allowed to request displaced revenue associated with net metering for 2013, 2014 and 2015 with rates for effect August 1, 2016. In that proceeding, and in any subsequent EDC filing where it seeks to collect such displaced revenue, the Company shall have the burden to demonstrate that its calculation is in accordance with the methodology agreed to in this Settlement.

2.5. The Settling Parties agree that the Company's EDC tariff, Schedule EDC, should be amended to include a provision allowing displaced distribution revenue associated with net metering to be recovered through the EDC. A proposed amended Schedule EDC is attached as Settlement Agreement Schedule 2.

III. GENERAL PROVISIONS

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

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

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

3.4. The resolution of any specific issue in this Settlement Agreement does not indicate the Settling Parties' agreement to such resolution for purposes of any future proceedings.

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

3.6. This Settlement Agreement is the product of confidential settlement negotiations. The content of these negotiations, including any documents prepared during such negotiations for the purpose of reaching a settlement, shall be privileged and all offers of settlement shall be without prejudice to the position of any party presenting such offer.

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

IV. CONCLUSION

The Settling Parties affirm that the proposed Settlement Agreement is reasonable, and consistent with the public interest and the requirements of RSA 378.38.

STAFF OF THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

By:______________________ Date: 4|11|2016
Suzanne Amidon, Esq.
Staff Attorney

NEW HAMPSHIRE OFFICE OF CONSUMER ADVOCATE

By:______________________ Date: 4/11/2016
Nicholas Cicale for Donald Kreis, Esq.
Consumer Advocate

UNITIL ENERGY SYSTEMS, INC.

By:___________________________ Date: April 8, 2016

Gary Epler, Esq.
Unitil Energy Systems, Inc.