

State of New Hampshire
Public Utilities Commission

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities

Docket No. DE 19-064

Notice of Intent to File Rate Schedules

Stipulation and Settlement Agreement Regarding Permanent Rates

This Stipulation and Settlement Regarding Permanent Rates (the “Agreement”) is entered into as of the last date signed below by and among Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities (“Liberty” or the “Company”), the Office of the Consumer Advocate (“OCA”), the City of Lebanon (“City”), Clean Energy New Hampshire (“CENH”), and the Staff of the Public Utilities Commission (“Staff”) (collectively, “Settling Parties”). This Agreement resolves all issues regarding Liberty’s request for permanent rates in this proceeding.

I. INTRODUCTION

On March 27, 2019, Liberty filed with the Public Utilities Commission (“Commission”) its notice of intent to file rate schedules seeking an increase in its annual distribution revenues. The Company filed its proposed rate schedules on April 30, 2019, and later updated its rate schedules through its rebuttal testimony, resulting in a requested \$6.3 million permanent increase in annual distribution revenues. The Company also asked the Commission to approve a decoupling mechanism and a multi-year rate plan. The Company requested approval of a 10.0% return on equity and a capital structure consisting of 55% equity and 45% debt. The Company supported its filing with the direct testimony of a number of witnesses from the Company and

outside consultants. The Commission suspended the rate schedules by Order No. 26,252 (May 13, 2019).

The OCA notified the Commission that it would participate in the docket on behalf of residential customers consistent with RSA 363:28, and the Commission granted the petitions to intervene of the City and CENH at the May 30, 2019, prehearing conference, and approved New Hampshire Department of Environmental Services' (NHDES) petition to intervene by secretarial letter dated July 25, 2019.

The Company's filing included a request for a temporary rate increase of \$2.1 million. Based on the Company's filing, testimony from Company witnesses, and statements by Staff, the OCA, the City, and CENH that they did not object to the Company's temporary rate request, the Commission approved the requested temporary rate increase of \$2,093,349, effective July 1, 2019. Order No. 26,267 (June 28, 2019). The order provided that any permanent rates approved by the Commission would be fully reconcilable back to the July 1, 2019, effective date of temporary rates.

Following the temporary rate order, the Company responded to numerous sets of data requests; the Commission's Audit Staff reviewed the Company's filing and issued its audit report; and Staff, the OCA, and the City filed testimony on several issues including revenue requirement, capital projects, rate design (including outdoor lighting rates for LED lighting fixtures and rates for charging Electric Vehicles), cost of capital, and step adjustments.

The Company conducted discovery on Staff's and OCA's testimony and filed rebuttal testimony. The Settling Parties then engaged in settlement discussions that resulted in this Agreement, which is intended to resolve all issues in this case. The Settling Parties recommend and request that the Commission approve this Agreement without modification.

II. TERMS OF AGREEMENT

A. Revenue Requirement and Rate of Return

The Settling Parties agree that the Commission should authorize an annual distribution revenue increase of \$4.15 million, based on a cost of equity of 9.1% and a capital structure of 52% equity and 48% debt. The Settling Parties agree that this distribution revenue increase shall be implemented for all services rendered on and after July 1, 2020.

Except for the specific items discussed below, the Settling Parties agree that the \$4.15 million distribution revenue increase represents a reasonable compromise of all issues relating to the revenue requirement pending before the Commission for the purpose of permanent rates. As the sum expressed above is the result of compromise and settlement, it is a liquidation of all revenue requirement issues. The Settling Parties agree that the revenue requirement recommended to the Commission in this Agreement results in permanent rates for Liberty's customers that are just and reasonable. The permanent rate increase described in this Section A shall be reconcilable to the effective date of temporary rates in this case, July 1, 2019, per Order No. 26,267, in accordance with Section II. D below.

Salem Investments. The Settling Parties acknowledge that, based on the record in this case, there is not agreement that Liberty's proposed investments in the Salem area, as described in Liberty's Initial Testimony filed April 30, 2019, at Bates II-186 through II-189 and II-197 (most notably a new Rockingham substation and a new 115 kV transmission line from Golden Rock substation to Rockingham substation), constitute a prudent solution for serving current and future Salem area load. Accordingly, the Settling Parties agree that consensus on the cost recovery and rates approved in this case (including rate base treatment of historic capital investments in the rates effective July 1, 2020, and the plan for three step adjustments for post-

test year investments effective in 2020, 2021, and 2022) will not be used to support a position in any future proceeding that additional investments in Salem (including, but not limited to, the Rockingham Substation and 115kV transmission line) were prudent. Further, nothing in this Agreement shall preclude any party in a future proceeding from arguing that Salem area investments for which rate recovery is not provided for in this Agreement (both investments made as of the date of this Agreement and not yet closed to plant and investments not yet made) should not be recovered from customers.

B. Step Increases

The Company shall be permitted to recover additional annual revenue in the form of three step increases for certain capital additions in service as of December 31, 2019, December 31, 2020, and December 31, 2021 (the third step increase being subject to certain conditions, as described in this Section), each step being subject to Commission approval.

The Company shall be permitted to recover approximately \$1.4 million in additional annual revenue in the form of a step increase in rates for capital additions in service as of December 31, 2019, as shown in Attachment 1. Following the process described below, this first step increase shall take effect for all service rendered on and after July 1, 2020, and shall be recovered through rate adjustments as described in Section II.F.

The Company shall be permitted to recover approximately \$1.8 million in additional annual revenue in the form of a second step increase in rates for capital additions in service as of December 31, 2020, as shown in Attachment 2, following the process described below. This second step increase shall take effect for all service rendered on and after July 1, 2021, and shall be recovered through rate adjustments as described in Section II.F. Liberty reserves the right to

substitute projects into Attachment 2 so long as any new projects are not growth projects and are not related to the Rockingham Substation or the 115kV transmission line.

Assuming the conditions described below are met, the Company shall be permitted to recover no more than \$1.8 million in additional annual revenue in the form of a third step increase in rates for 2021 capital additions in service as of December 31, 2021. With its April 6, 2021, step adjustment filing, Liberty shall provide a list of 2021 capital additions planned to be in service by December 31, 2021, and planned to be submitted for recovery in the third step increase effective July 1, 2022. Such 2021 capital additions shall be similar in nature to the 2019 and 2020 additions listed on Attachments 1 and 2 and shall not include growth related additions. This third step increase shall take effect for all services rendered on and after July 1, 2022, and shall be recovered through rate adjustments as described in Section II.F.

To implement the step increases, the Company shall make a filing by May 26, 2020, for the first step increase; on April 6, 2021, for the second step increase; and on April 6, 2022, for the third step increase. In these filings, Liberty shall provide the amount of the investments to be included in the step increases (by project) and detailed project descriptions including the initial budget, the final cost, and the date each project was booked to plant in-service. In addition, for each project Liberty shall provide all Company project documents including, but not limited to, Business Cases, Capital Project Expenditure Applications, Change Order Forms, Project Close Out Reports, and work orders. Staff may request additional information after reviewing the initial filings. The Company shall propose a rate increase effective July 1 of the filing year to recover the revenue requirement associated with each step adjustment.

For all three step increases, if the actual cost of the capital additions is less than the budgeted amounts, the actual amounts shall be used to calculate the step adjustments. If the

actual cost of the capital additions exceeds the budgeted amounts, the Company may seek recovery of the excess through this step adjustment process (except that the third step increase is capped at a \$1.8 million rate increase). The Company may otherwise seek recovery in its next rate case for any above-budget investments not approved in a step adjustment described here. The revenue requirement for the step adjustments will be calculated in a manner similar to that used in the Company's filing seeking approval of the first step adjustment.

The Settling Parties ask the Commission hold a hearing prior to the proposed July 1 effective dates of each step increase to review and approve the proposed step increases.

C. Performance Based Ratemaking

The Settling Parties stipulate and agree that it is in the public interest for Liberty to explore transitioning away from the strict application of traditional cost-of-service ratemaking principles in favor of a performance-based ratemaking ("PBR") approach. For purposes of this paragraph, "performance-based ratemaking" means a process of defining regulatory goals, specifying outcomes toward the achievement of those goals, applying performance metrics that measure such achievement, and establishing revenue adjustment mechanisms that support safe and reliable utility service, while rewarding utility shareholders for the achievement of performance metric benchmarks and penalizing them for failing to achieve such benchmarks. Therefore, as a prerequisite to obtaining approval of the third step increase the Company shall: (1) present proposals to Staff, the OCA, and NHDES for PBR mechanism(s) for inclusion in its next distribution rate case through meetings or technical sessions commenced at least nine months prior to the April 6, 2022, step increase filing; and (2) in good faith consider the comments of Staff and the OCA in determining the details of the PBR mechanisms before finalizing and proposing them in the next distribution rate filing.

D. Effective Date for Permanent Rates and Recoupment

The permanent rate increase agreed to in Section II.A shall be effective for all service rendered on and after July 1, 2020.

The difference between the distribution revenues obtained from the rates prescribed in the temporary rate order, Order No. 26,267, and the distribution revenues that would have been obtained under the rates finally determined after review and approval of this Agreement, if applied during the period that the temporary rate order was in effect, shall be recovered from customers over a period of twenty-four months beginning with service rendered as of July 1, 2020. The total estimated amount of recoupment is \$1,835,991, as shown on Attachment 3, and shall be recovered through a uniform percentage change to all rates and charges, excluding the customer charges for domestic service rates. The estimated amount of recoupment has been calculated using actual billing data for July 2019 through February 2020, and estimated billing data for March through June 2020. Any difference between the actual recoupment amount and the estimated amount shown on Attachment 3 will be reconciled and adjusted once as part of the July 1, 2021, step adjustment, and the adjusted recoupment rate will remain in effect until June 30, 2022, at which time the annual distribution rate level shall be decreased accordingly.

E. Rate Case Expenses

Subject to Staff audit and adjustment for the difference between estimated and actual expense, the Company shall recover \$553,641.81¹ in rate case expenses commencing on July 1, 2020, as shown on Attachment 4. The Company agrees to submit by June 15, 2020, an accounting of its rate case expenses, with appropriate supporting documentation, for review by Staff and the OCA and subsequent approval by the Commission. The Company shall recover its

¹ This figure includes the rate case expenses incurred and anticipated as of April 28, 2020. Recovery of any additional rate case expenses submitted after that date will be addressed as part of a step adjustment review.

just and reasonably incurred rate case expenses in the same manner as it recovers the temporary rate recoupment. Staff shall provide its recommendation for rate case expense recovery to the parties as soon as reasonably possible, and the Company shall be authorized to recover the approved rate case expenses beginning with service rendered as of July 1, 2020. Once the final amount of actual, just and reasonable rate case expenses is determined, any difference between the amount recovered commencing July 1, 2020, and the final amount shall be recovered commencing July 1, 2021 (to coincide with the second step rate change). Rate case expenses shall be recovered through an increase to the annual distribution rate level effective July 1, 2020, and adjusted for final costs effective July 1, 2021, and the adjusted increase will remain in effect until June 30, 2022, at which time the annual distribution rate level shall be decreased accordingly.

F. Rates and Rate Design

The total increase effective July 1, 2020, for permanent rates is \$4,150,000 above the annual revenue level in effect on June 1, 2019 (prior to implementation of temporary rates), is \$2,056,651 above the annual revenue level in effect after implementation of temporary rates, and shall result in a 10.5% increase above the distribution revenues in effect June 1, 2019, and a 5.1% increase above the temporary rates. Permanent bill impacts for typical customers are included in Attachment 5.

The rates and charges for effect on July 1, 2020, including the effect of recoupment and recovery of rate case expense, are shown on Attachment 6.

The rate design shall remain as currently charged under the temporary rates approved by Order No. 26,267. In the calculation of all rate adjustments described in this Agreement, each class shall receive the same overall percentage increase to its share of distribution revenue and

all rate changes authorized under this Agreement shall be recovered through a uniform percentage change to all rates and charges, excluding the customer charges for domestic service rates.

1. Domestic Service Rates D, D-10, D-11, T, and Rate EV

The customer charge for Rates D, D-10, D-11, and T shall be \$14.74 per month. The customer charge for Rate EV shall be \$11.35 per month. The difference between the total class revenue increase and the amount of revenue to be recovered through the customer charge shall be recovered through kilowatt-hour (kWh) charges for retail delivery service. The customer charge shall remain at this level in the subsequent distribution rate changes provided for in this Agreement (i.e., the three step adjustments, the rate case expense reconciliation, and the REP filing).

2. Rates G-3, V, G-1, G-2, M, LED-1, and LED-2

Rates and charges under Rates G-3, V, G-1, and G-2 shall be increased by a uniform percentage. Rates M and LED-1 will be increased as shown in Attachment 5, page 7, as result of the permanent rate increase. For purposes of recoupment and rate case expenses, a uniform percentage increase will be applied to Rates M, LED-1, and LED 2 as shown in Attachment 6. For all future rate changes under this agreement, Rates M, LED-1, and LED-2 will be subject to the same percentage changes as the other rate classes.

3. Future Rate Design

Liberty agrees that it shall develop an Advanced Rate Design Road Map, which shall include but not be limited to (1) an explanation of how Liberty plans to leverage the functionality of its existing and planned investments, particularly meters, to maximize ratepayer benefits, and (2) Liberty's plans for the future of rates for each customer class, including the extent to which

the utility plans to rely on innovative rate design techniques such as time-of-use rates, critical peak pricing, etc. For each customer class, Liberty shall specify the general design characteristics (e.g., number of time periods, number of hours within each period, and pricing ratios between each period) and the investment needed to enable the rate design, the associated timeline and the nature of the rollout (e.g., opt-out versus optional rate designs). Liberty shall submit the Advanced Rate Design Roadmap to Commission Staff, the OCA, the City, CENH, and NHDES at least nine months prior to the April 6, 2022, step increase filing, shall discuss the plan in good faith, and shall thereafter include the plan in its next filed Least-Cost Integrated Resource plan or Integrated Distribution Plan filed in connection with or arising out of the Commission's grid modernization proceeding (IR 15-296), and the Company's next rate case, as appropriate.

G. Reliability Enhancement Program/Vegetation Management Program (“REP” and “VMP”)

1. REP

The REP shall terminate with the final order in the “Calendar Year 2020 Annual Report and Reconciliation and Rate Adjustment Filing,” docket, which will seek recovery of REP investments made during the 2020 construction season. Staff and the OCA accept the 2020 REP capital budget, Attachment 7, as presented during the February 6, 2020, REP/VMP meeting. This termination of the REP shall not bar the Company from proposing a PBR mechanism that is similar to the REP for discussion prior to its next distribution rate proceeding, as described in Section II.C above.

The 2021 rate increase to recover 2020 REP costs shall be applied as described in Section II.F.

2. VMP

Under the VMP, the Company shall maintain a four-year cycle for tree trimming and vegetation management and shall continue with the filings and reporting requirements currently in place. The base rate increase agreed to in this Agreement includes an increase in the VMP spending to \$2,200,000 for 2020, which shall continue until changed in a future base rate case. The Company shall not recover any VMP expenses that exceed 10% of that amount, or in excess of \$2,420,000, through the annual reconciliation filing, or otherwise. The VMP spending shall be reconciled each year, with any under spending carried into the next program year or returned to customers, as determined by the Commission.

H. Planning Criteria

Beginning with projects to be put into service after December 31, 2020, the Company shall follow the planning criteria contained in the Distribution Planning Criteria and Strategy document, Attachment 8.

I. Decoupling

Liberty shall implement a decoupling mechanism effective July 1, 2021.

In return for Liberty agreeing to a later date to implement decoupling, the parties agree that Liberty shall be permitted to continue the Lost Revenue Adjustment Mechanism (LRAM) for calendar years 2019 and 2020. Final determination of the LRAM and SBC for billing will be made in DE 17-136, or subsequent energy efficiency dockets. The Settling Parties shall review and approve tariff language implementing the decoupling mechanism prior to Liberty's submission of the decoupling tariff to the Commission in sufficient time for the scheduled July 1, 2021, implementation.

The Company will make a reconciliation filing by September 1 following the completion of each decoupling year (July 1 to June 30), in which Liberty will calculate the rate increase or rate refund arising from the just completed decoupling year, and request approval for any adjustment to go into effect on November 1 for the following twelve months.

Prior to the Year 1 decoupling filing of September 1, 2022, the Settling Parties shall informally discuss the preliminary reconciliation calculation of the July 1, 2021, to June 30, 2022 (Year 1) decoupling year and attempt in good faith to reach agreement as to the treatment of any atypical consequences flowing from the COVID-19 pandemic. If an agreement is reached, the Company will present that agreement to the Commission as part of the Company's September 1, 2022, filing for consideration and approval. If an agreement cannot be reached, the Settling Parties have the option to file testimony or technical statements by September 1, 2022, in conjunction with the Company's decoupling filing, presenting their preferred method for handling the impact on decoupling of COVID-19. The Settling Parties agree that the extent of recovery of COVID 19 impacts through decoupling adjustments may be impacted by any other means or mechanisms the Commission may establish for addressing COVID 19 impacts.

The decoupling mechanism will be implemented as described in the Company's original filing, with the following amendments:

- 1) There shall be a 3% cap on the amount refunded or charged to customers. The 3% cap shall be equal to 0.03 times the allowed revenue requirement subject to annual adjustments as shown in the Revenue Subject to Decoupling page of Attachment 9. The decoupling amount will be recovered or refunded during the following year up to the 3% cap. Any amounts in excess of the 3% cap will be deferred and recovered or refunded in future periods, as determined by the Commission. Any amounts deferred will be added to the aggregate decoupling adjustment amount of the following periods until recovered or refunded such that there is a maximum adjustment of 3% refunded or charged each year.

- 2) Any over- or under-collection shall carry interest at the prime rate.
- 3) The amounts to be refunded or collected under this decoupling mechanism shall be calculated annually using monthly accruals. These monthly accruals will be summed for each decoupling year and presented in the annual reconciliation filing. Monthly decoupling accruals are calculated as follows:
 - a) As shown in the Monthly Decoupling Calculation page of Attachment 9, the monthly target revenues per customer (“Monthly Target RPC”) amounts will be determined for each of the Company’s rate classes by:
 - i) allocating each years’ allowed revenue requirement to each rate class, by month, in proportion to the test year with the following exceptions:
 - (1) Rate classes M, LED-1, and LED-2 will not be included in the decoupling calculations;
 - (2) Rate classes D-11 and EV, will not be included in the decoupling calculations as they are new rate classes. The inclusion of those rate classes will be reevaluated in the next rate case; and
 - ii) dividing each class monthly target revenue number by the number of monthly customer bills from the test year.
 - b) Monthly Actual RPC will be calculated as the actual monthly revenues by rate class divided by the actual number of bills for each rate class rendered during that month.
 - c) The Monthly Actual RPC will be compared to the Monthly Target RPC for each rate class. The difference between the Monthly Actual RPC and the Monthly Target RPC for each rate class will then be multiplied times the actual number of bills rendered for each rate class to determine the monthly revenue shortfall/surplus for each class, the sum of which will constitute the total monthly revenue shortfall/surplus.
 - d) At the end of the reconciliation period, the monthly amounts will be summed to determine the cumulative annual revenue shortfall/surplus.
 - e) Subject to the cap described above, the Annual Allowed Adjustment revenue shortfall/surplus, will be allocated to the classes using the Rate Class Allocation

identified on the Decoupling Sensitivity Example page of Attachment 9 which corresponds to the class revenue apportionment of the distribution revenue requirement contained in this Agreement, as detailed on Line 115 of Attachment 5, page 4.

- f) The amount allocated to each rate class will be allocated to the kWh and kW rate adjustments for each class on the basis of the actual kWh and kW's of the decoupling year.

Attachment 9 is an illustration of the above decoupling calculation, using estimated amounts. The Settling Parties agree that the dollar amounts in Attachment 9 do not embody any party's projections or proposals.

J. Tariff Provisions

The Company's initial filing sought approval of Tariff No. 21, replacing existing Tariff No. 20. The Settling Parties recommend that the Commission approve a revised version of proposed Tariff No. 21, Attachment 10, which contains the increased rates and charges effective July 1, 2020 as provided for in this Settlement, a number of minor edits and the following modifications and additions to Tariff No. 20:

1. EV Tariff

The Company shall implement the EV tariff as it appears in the proposed Tariff No. 21, Attachment 10, and shall report the following information to the Commission by November 6 of each year: (1) the number of customers taking service under the EV tariff; and (2) the aggregated usage data, by TOU period, by month, for those customers.

2. LED – Outdoor Lighting tariffs.

The Company shall implement the LED-Outdoor lighting tariffs as they appear in the proposed Tariff No. 21, Attachment 10.

3. Interconnection fees.

Liberty shall adopt the following table to charge for interconnection fees. The structure will remain in place until a future adoption of interconnection fees is approved.

Project Size (Max AC Rating of Inverters)	Supplemental Review Fee
>10 kW to 30 kW	\$125
>30 kW to 50 kW	\$500
>50 kW to 100 kW	\$1000

K. Lead/Lag Days

The net lead/lag days shall be 24.2 days or 6.63%. See Attachment 11 for the supporting calculations.

L. Depreciation Reserve Imbalance

The depreciation reserve imbalance is a deficiency of \$1,399,800 determined using plant balances as of December 31, 2018. The Company shall amortize this depreciation reserve imbalance over a period of 6 years, beginning on July 1, 2020.

M. Depreciation

The depreciation rates shown on Attachment 12 shall be used by Liberty at least until the Commission issues a final order in its next base distribution rate case.

N. Pole Attachment Fees

The Settling Parties agree that the Company will update its fees once per year in accordance with the Puc 1300 rules.

O. Next Distribution Rate Case

The test year for the Company's next general distribution rate case shall be no sooner than the twelve-month period ending December 31, 2022.

P. Reporting Requirements

Staff, OCA, and the Company agree to meet by August 31, 2020, to review the list of the Company's current reporting requirements to determine potential eliminations, consolidations, decreased frequency, revised reporting deadlines, and similar changes. Some or all of such changes may be subject to Commission approval.

Q. IEEE 1547-2018

In April 2018, the Institute of Electrical and Electronics Engineers (IEEE) published a major revision of the national standard for the grid interconnection of distributed energy resources (DERs), IEEE 1547-2018, which requires DERs to include certain specific functionalities (including but not limited to voltage support, frequency ride-through, voltage regulation, and frequency regulation) that support the reliability of the grid and improve power quality. The parties acknowledge that such capabilities have the potential to increase the amount of DERs that distribution utilities, including Liberty, can accommodate and that, for DERs which interconnect via inverters, so-called "smart" inverters are the basis for compliance with IEEE 1547-2018. The parties further acknowledge that IEEE 2018-1547 lays out a set of options for deployment, based on default settings and potential departures from those settings, including, e.g., activation of the "volt-VAR" and "volt-watt" modes of smart inverters. In light of the complexity of these determinations, and their importance for customers exporting energy to the grid via smart inverters, the Settling Parties agree to participate in a collaborative process overseen by the Commission Staff to ascertain the most beneficial default smart inverter settings under IEEE 1547-2018. A goal of this collaboration shall be to report out of this process with its recommendations by December 31, 2021. The Settling Parties agree that this collaborative

process may be undertaken on a utility-specific basis or as a single process applicable to all three of the state's investor-owned electric distribution utilities.

III. EXOGENOUS EVENTS

- A. Liberty may, subject to review and approval of the Commission, adjust distribution rates upward or downward resulting from Exogenous Events, as defined and described below.
- B. To the extent that the revenue impact of such event is not otherwise captured through another rate mechanism that has been approved by the Commission, for any singular (not collective) event defined as a State Initiated Cost Change, Federally Initiated Cost Change, Regulatory Cost Reassignment, or Externally Imposed Accounting Rule Change, Liberty may adjust distribution rates upward, and shall adjust distribution rates downward if the total distribution revenue impact (positive or negative) of such event exceeds \$150,000 (Exogenous Events Rate Adjustment Threshold) for calendar years 2020 and 2021.
1. "State Initiated Cost Change" shall mean any externally imposed changes in state or local law or regulatory mandates or changes in other precedents governing income, revenue, sales, franchise, or property or any new or amended regional, state or locally imposed fees (but excluding the effects of routine annual changes in municipal, county and state property tax rates and revaluations), which impose new or expanded obligations, duties or undertakings, or remove existing obligations, duties or undertakings, and which individually decrease or increase Liberty's distribution costs, revenue, or revenue requirement.

2. “Federally Initiated Cost Change” shall mean any externally imposed changes in the federal tax rates, laws, regulations, or precedents governing income, revenue, or sales taxes or any changes in federally imposed fees, which impose new or expanded obligations, duties or undertakings, or remove existing obligations, duties or undertakings, and which individually decrease or increase Liberty's distribution costs, revenue, or revenue requirement.
 3. Regulatory Cost Reassignment: The distribution revenue changes described in this Paragraph B are based on the separation of costs among generation, transmission, and distribution functions of Liberty in place on the date of this Agreement.
 4. “Regulatory Cost Reassignment” shall mean the reassignment of costs and/or revenues now included in the generation, transmission, or distribution functions to or away from the distribution function by the Commission or the Federal Energy Regulatory Commission.
 5. “Externally Imposed Accounting Rule Change” shall be deemed to have occurred if the Financial Accounting Standards Board or the Securities and Exchange Commission adopts a rule that requires utilities to use a new accounting rule that is not being utilized by Liberty as of January 1, 2020.
- C. No later than the last day of February of 2021 and 2022, Liberty shall file with the Commission, Staff, and OCA a Certification of Exogenous Events for the prior calendar year. If in the prior calendar year Liberty incurs any changes in distribution costs, revenue, or revenue requirement in excess of the Exogenous Events Rate Adjustment Threshold in connection with any Exogenous Event as defined in

Paragraph B, Liberty shall provide specific and sufficient detail supporting each change and the Exogenous Event(s) associated with each change for the Commission, Staff, and OCA to assess the proposed Exogenous Event rate adjustment. If no Exogenous Events causing changes in excess of the Exogenous Events Rate Adjustment Threshold occurred during the prior calendar year, Liberty shall certify that fact in its annual Certification of Exogenous Events. On or before March 31 of 2021 and 2022, the Staff and the OCA may make a filing requesting an Exogenous Event rate decrease or contesting an Exogenous Event rate increase proposed by Liberty. Any adjustments to Liberty's revenue requirement for Exogenous Events shall be subject to review and approval as deemed necessary by the Commission, and shall be implemented for service rendered on or after May 1 of that year. Any such filings are limited to one per calendar year, provided that any costs incurred or saved due to such Exogenous Events shall be deferred for consolidation in the single filing.

D. Any Exogenous Event adjustment made pursuant to this Agreement will remain in rates only until the effective date of new rates determined in the Company's next distribution base rate proceeding.

IV. CONDITIONS

Nothing in this Agreement prevents the Company from recovering any COVID-19 related costs that the Commission may allow in a future proceeding.

This Agreement is expressly conditioned on the Commission's acceptance of all its terms, without change or condition. If the Commission does not accept this Agreement in its entirety, without change or condition, or if the Commission makes any findings that go beyond the scope of this Agreement, and any of the Settling Parties notify the Commission within five business days of their disagreement with any such changes, conditions, or findings, the

Agreement shall be deemed to be withdrawn, in which event it shall be deemed to be null and void and without effect, shall not constitute any part of the record in this proceeding, and shall not be relied on by Staff or any party to this proceeding or by the Commission for any other purpose.

The Settling Parties agree that the Commission's approval of this Agreement will not constitute continuing approval of, or precedent for, any particular principle or issue, but such acceptance does constitute a determination that the adjustments and provisions stated in their totality are just and reasonable and consistent with the public interest and that the revenues contemplated will be just and reasonable under the circumstances.

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

The information and testimony previously provided in this proceeding are not expected to be subject to cross-examination by the Settling Parties, which would normally occur in a fully litigated case. The Settling Parties agree that all direct and rebuttal testimony and supporting documentation should be admitted as full exhibits for purposes of reviewing this Agreement. The Settling Parties' agreement to admit all testimony without challenge does not constitute agreement by the Settling Parties that the content of the written testimony is accurate or what weight, if any, should be given to the views of any witness. The identification of the resolution of any specific issue in this Agreement does not indicate any of the Settling Parties' agreement to that resolution for purposes of any future proceeding, nor does the reference to any other

document bind the Settling Parties to the contents of, or recommendations in, that document for purposes of any future proceeding. The Commission's approval of the recommendations in this Agreement shall not constitute a determination or precedent with regard to any specific adjustments, but rather shall constitute only a determination that the revenue requirement and rates resulting from, and other specific conditions stated in this Agreement are just and reasonable. The Settling Parties agree to forego cross-examining witnesses regarding their pre-filed testimony and, therefore, the admission into evidence of any witness's testimony or supporting documentation shall not be deemed in any respect to constitute an admission by any party to this Agreement that any allegation or contention in this proceeding is true or false, except that the sworn testimony of any witness shall constitute an admission by such witness.

This Agreement may be executed by facsimile and in counterparts, each of which shall be deemed to be an original, and all of which, taken together, shall constitute one agreement binding on all Settling Parties.

[Signature page follows]

Dated: May 22, 2020

Liberty Utilities (Granite State Electric) Corp. d/b/a
Liberty Utilities



By its Attorney, Michael J. Sheehan

Dated: May __, 2020

Staff of the New Hampshire Public Utilities
Commission

By its Attorney, Paul B. Dexter

Dated: May __, 2020

Office of the Consumer Advocate

By the Consumer Advocate, D. Maurice Kreis

Dated: May __, 2020

City of Lebanon

By Clifton Below, Assistant Mayor, duly authorized

Dated: May __, 2020

Clean Energy New Hampshire

By its Attorney, Elijah D. Emerson

Dated: May __, 2020

Liberty Utilities (Granite State Electric) Corp. d/b/a
Liberty Utilities

By its Attorney, Michael J. Sheehan

Dated: May 21, 2020

Staff of the New Hampshire Public Utilities
Commission



By its Attorney, Paul B. Dexter

Dated: May __, 2020

Office of the Consumer Advocate

By the Consumer Advocate, D. Maurice Kreis

Dated: May __, 2020

City of Lebanon

By Clifton Below, Assistant Mayor, duly authorized

Dated: May __, 2020

Clean Energy New Hampshire

By its Attorney, Elijah D. Emerson

Dated: May __, 2020

Liberty Utilities (Granite State Electric) Corp. d/b/a
Liberty Utilities

By its Attorney, Michael J. Sheehan

Dated: May __, 2020

Staff of the New Hampshire Public Utilities
Commission

By its Attorney, Paul B. Dexter

Dated: May 21, 2020

Office of the Consumer Advocate



By the Consumer Advocate, D. Maurice Kreis

Dated: May __, 2020

City of Lebanon

By Clifton Below, Assistant Mayor, duly authorized

Dated: May __, 2020

Clean Energy New Hampshire

By its Attorney, Elijah D. Emerson

Dated: May __, 2020

Liberty Utilities (Granite State Electric) Corp. d/b/a
Liberty Utilities

By its Attorney, Michael J. Sheehan

Dated: May __, 2020

Staff of the New Hampshire Public Utilities
Commission

By its Attorney, Paul B. Dexter

Dated: May __, 2020

Office of the Consumer Advocate

By the Consumer Advocate, D. Maurice Kreis

Dated: May 22, 2020

City of Lebanon

DocuSigned by:



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By Clifton Below, Assistant Mayor, duly authorized

Dated: May __, 2020

Clean Energy New Hampshire

By its Attorney, Elijah D. Emerson

Dated: May __, 2020

Liberty Utilities (Granite State Electric) Corp. d/b/a
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Commission

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Dated: May __, 2020

Office of the Consumer Advocate

By the Consumer Advocate, D. Maurice Kreis

Dated: May __, 2020

City of Lebanon

By Clifton Below, Assistant Mayor, duly authorized

Dated: May 15, 2020

Clean Energy New Hampshire



By its Attorney, Elijah D. Emerson