

June 8, 2015

CENTRAL MAINE POWER COMPANY)	SETTLEMENT
MAINE NATURAL GAS CORPORATION)	STIPULATION
10-Person Complaint on the)	
Unreasonable Practices and Acts of)	
Iberdrola, Central Maine Power and)	
Maine Natural Gas)	

Central Maine Power Company (CMP), Maine Natural Gas Corporation (MNG), the Office of Public Advocate (OPA), and the Complainants¹ (collectively the Parties) hereby agree and stipulate as follows:

I. PURPOSE

The purpose of this Stipulation is to settle all issues in this proceeding, including, without limitation, those raised in the Complainants' 10-person Complaint dated March 11, 2014 and those identified in the Order of the Maine Public Utilities Commission (Commission) dated August 11, 2014 and the Commission's Notice of Proceeding dated September 10, 2014, to avoid a hearing on those issues, and to expedite consideration and resolution of this proceeding by the Commission. The provisions agreed to herein have been reached as a result of information gathered through discovery and discussion among the Parties in this proceeding and the Commission Advisory Staff (Staff) and represent the agreement of the Parties.

II. THE 10-PERSON COMPLAINT

1. On March 11, 2014, Complainants initiated these proceedings by filing their 10-Person Complaint, alleging that CMP, MNG, Iberdrola USA, Inc., and Iberdrola, S.A.

¹ The Complainants joining in this Stipulation are as follows: Patrick Paradis, the City of Augusta, Christina St. Pierre, Leif Dahlin, Cecil E. Munson, Dale McCormick, Michael G. Byron, Paul G. Douin, Sharon Ann Paradis, Ann M. Thomas, Sheila C. Stratton, and Donald Stratton.

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(collectively the Respondents) violated provisions of the Maine Revised Statutes and Commission Rules concerning affiliate transactions.

2. Complainants alleged or subsequently have claimed that:
 - a. CMP President Sara Burns participated in certain meetings between MNG and prospective MNG natural gas customers between July 2012 and February 2013.
 - b. Ms. Burns' participation in these meetings constituted a use of CMP's reputation and good will without adequate compensation required by 65-407 C.M.R. ch. 820, § 4(C).
 - c. Ms. Burns' participation in these meeting constituted an attempt at "influencing utility customers to use the services of its affiliates" as prohibited by 65-407 C.M.R. ch. 820, § 8(C).
 - d. Ms. Burns' participation in these meetings and provision of services to MNG violated the requirement that "transactions with affiliate should be conducted at arm's length to ensure fairness and the appearance of fairness to all parties" as required by the Commission in *Central Maine Power Company and CMP Natural Gas, Request for Approval of Affiliated Interest Transaction, Sale of Assets*, Docket No. 99-739, Order at 9 (February 18, 2001).
 - e. MNG did not adequately compensate CMP for the full cost of Ms. Burns' time in rendering services to MNG.

3. Complainants also alleged that CMP advocated on behalf of LD 1754, legislation introduced in the Maine Legislature in 2014 concerning the location where public utilities are to pay excise tax on their motor vehicles. Complainants contended that CMP's alleged advocacy

for LD 1754 also violated provisions of Title 35-A, the Commission's rules, and prior Commission orders.

4. On March 18 and 31, 2014 respectively, the four Respondents submitted an initial response and Supplemental Response to the 10-person Complaint, arguing that the Iberdrola entities should be dismissed because they are not utilities subject to the 10-person complaint statute; that the majority of the allegations impermissibly encroached on Respondents' First Amendment right to petition the government; and that the remainder of the allegations had no basis in fact or law.

5. On April 11, 2014, the OPA submitted comments on the 10-Person Complaint and Respondents' Supplemental Response, suggesting that CMP's alleged activities on behalf of MNG constituted an uncompensated transfer of CMP's goodwill in violation of 65-407 C.M.R. ch. 820, §§ 4(C) and (D).

6. After briefing, a Recommended Decision from the Hearing Examiner, and subsequent briefing concerning the Recommended Decision, the Commission issued an Order on August 11, 2014, dismissing the Complaint in its entirety as to the two Iberdrola entities and dismissing it as to all entities with respect to any claims arising out of CMP's support of excise tax legislation then-pending in the Maine Legislature.

7. The Commission's August 2014 Order opened an investigation into whether CMP and MNG had complied with applicable statutes as well as Commission rules and orders governing affiliate relationships, including whether CMP and MNG employees properly accounted for time spent by their respective employees on behalf of the other entity.

8. On October 20, 2014, the Hearing Examiner propounded data requests to CMP. Complainants propounded data requests to both CMP and MNG the same day. The OPA

propounded data requests on CMP on October 23, 2014. Thereafter in November and December of 2014, CMP and MNG served responses to these data requests.

9. After a case conference on December 4, 2014, the Hearing Examiner permitted CMP and MNG to submit their supplemental direct case by January 14, 2015. CMP and MNG submitted their supplemental direct case which identified the services that CMP employees provided to MNG during the relevant period and the accounting treatment regarding such services. In particular, the evidence demonstrated that Ms. Burns, along with employees of MNG, attended the following meetings with prospective MNG customers: two meetings with representatives of Huhtamaki in July and September 2012; one meeting with UPM Madison Paper in September 2012; one meeting with MaineGeneral Health in September 2012; a session of the Augusta City Council in October 2012; and one meeting with Sappi Fine Paper in November 2012. Ms. Burns also had a conversation with William Bridgeo, City Manager of Augusta, in February 2013.

10. Thereafter, the OPA and Complainants served data requests regarding CMP's and MNG's supplemental direct case, which data requests the companies answered.

11. On March 13, 2015, the Hearing Examiner issued a Procedural Order, governing the further litigation of this proceeding. In that order, the Hearing Examiner set March 30, 2015, for a technical conference. That technical conference was rescheduled for and ultimately occurred on April 1, 2015, and included testimony from Ms. Burns.

12. On April 15, 2015, William Bridgeo, City Manager of Augusta, submitted direct testimony on behalf of Complainants.

13. On April 22, 2015, at the request of the Parties, the Hearing Examiner issued a Procedural Order scheduling a settlement conference to take place on April 29, 2015. The

Procedural Order reflects the Parties' consent for the Commission Staff to participate in the settlement conference.

14. On April 29, 2015, a settlement conference took place as scheduled and was attended by representatives of the Commission Staff, the OPA, CMP and MNG, and the Complainants, represented by counsel Andrew Landry, Esq. and Stephen E.F. Langsdorf, Esq.

15. On June 2, 2015, a second settlement conference took place and was attended by representatives of the Commission Staff, the OPA, CMP and MNG, and the Complainants, represented by counsel Stephen E.F. Langsdorf, Esq. This Stipulation is the result of those two settlement conferences.

III. RECOMMENDED APPROVALS AND FINDINGS

Based on the record in this proceeding, the Parties agree and recommend that the Commission issue an Order that approves, accepts, and adopts this Stipulation, as just and reasonable and in the public interest including the following provisions:

16. In order to resolve this investigation and without admitting any violation of Maine law or the Commission's rules, regulations, or orders, shareholders will make a one-time payment to CMP's distribution customers in the amount of \$95,000. This payment will be made through a reduction in distribution rates as part of an annual distribution price change.

17. To the extent possible, CMP will make this adjustment as part of the Company's 2015 annual price change. In the event CMP is unable to do so, CMP will make the adjustment in its 2016 annual distribution price change and will include appropriate carrying costs calculated at its pretax weighted cost of capital of 10.32%.

18. Unless modified by subsequent Commission order or by changes to the applicable Commission rules regarding what services affiliates may provide to each other, and through which personnel:

- a. No CMP officer shall accompany any MNG employee to any customer solicitation, or communicate with any existing or potential MNG customer directly regarding any MNG interest; and
- b. All services provided by CMP to MNG under its existing service contracts will be limited to services with no retail MNG customer interface.

IV. PROCEDURAL STIPULATIONS

19. The Parties to this Stipulation hereby waive any rights that they have under 5 M.R.S. § 9062(4) and Chapter 110, Section 8(F)(4) of the Commission Rules of Practice and Procedure to the extent necessary to permit the Staff to discuss this Stipulation and the resolution of the issues addressed in this Stipulation with the Commissioners, either before or at the Commission's scheduled deliberations.

20. The record on which the Parties enter into this Stipulation and on which the Commission may base its determination whether to accept and approve this Stipulation shall consist of this Stipulation, the record in this docket, and any other material furnished by the Staff or the Parties to the Commission, either orally or in writing, to assist the Commission in deciding whether to accept and approve this Stipulation.

21. This Stipulation shall not be considered legal precedent, nor shall it preclude a party from making any contention or exercising any rights, including the right of appeal, in any future Commission investigation or proceeding or any other trial or action.

22. This Stipulation represents the full agreement between the Parties to the Stipulation and rejection of any part of this Stipulation constitutes a rejection of the whole.

23. If not accepted by the Commission in accordance with the provisions hereof, this Stipulation shall be void and of no further effect and shall not prejudice any position taken by any party before the Commission in this proceeding and shall not be admissible evidence therein or in any other proceeding before the Commission.

Dated: June 8, 2015

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