

REBUTTAL TESTIMONY
OF
BONITA A. PEARCE
ACCOUNTING DEPARTMENT
FINANCIAL ANALYSIS DIVISION
ILLINOIS COMMERCE COMMISSION

APPLICATION FOR APPROVAL OF A REORGANIZATION
PURSUANT TO SECTION 7-204 OF THE PUBLIC UTILITIES ACT

ATMOS ENERGY CORPORATION
LIBERTY ENERGY (MIDSTATES)

DOCKET NO. 11-0559

JANUARY 12, 2012

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1 **Witness Identification**

2 **Q. Please state your name and business address.**

3 A. My name is Bonita A. Pearce. My business address is 527 East Capitol
4 Avenue, Springfield, Illinois 62701.

5

6 **Q. Have you previously filed testimony in this proceeding?**

7 A. Yes, my direct testimony was filed on November 17, 2011 as ICC Staff
8 Exhibit 4.0.

9

10 **Purpose of Testimony**

11 **Q. What is the purpose of your rebuttal testimony?**

12 A. The purpose of my rebuttal testimony is to respond to Liberty Energy
13 Midstates Corporation's ("Midstates" or the "Company") witness Peter
14 Eichler with respect to certain issues raised in my direct testimony (ICC
15 Staff Exhibit 4.0) and to which he responded in rebuttal testimony (Joint
16 Applicants' Exhibit 7.0).

17

18 **Q. Please recapitulate the recommendations contained in your direct
19 testimony.**

20 A. Pursuant to Section 5-106 of the Act, I recommended that the
21 Commission should allow Midstates to maintain its books and records in
22 Missouri, subject to the condition that the new utility will be liable to
23 reimburse the Commission for any reasonable costs and expenses

24 associated with an audit or inspection of books and records maintained
25 outside Illinois. The Company agreed to do so.

26 However, I recommended that the Commission not approve the
27 proposed reorganization because Atmos Energy Corporation (“Atmos”)
28 and Midstates (collectively, “Joint Applicants”) had *not* established that:

29 (a) The proposed reorganization will not result in the unjustified
30 subsidization of non-utility activities by the utility or its customers
31 as required under Section 7-204(b)(2) of the Public Utilities Act
32 (“Act”);

33 (b) The costs and facilities are fairly and reasonably allocated
34 between utility and non-utility activities in such a manner that the
35 Commission may identify those costs and facilities which are
36 properly included by the utility for ratemaking purposes as
37 required under Section 7-204(b)(3) of the Act;

38 (c) The utility will remain subject to all applicable laws, regulations,
39 rules, decisions and policies governing the regulation of Illinois
40 public utilities as required under Section 7-204(b)(5) of the Act;

41 (d) The proposed accounting of the transaction is in compliance with
42 83 Ill. Adm. Code 505, the Uniform System of Accounts for Gas
43 Utilities Operating in Illinois; and

44 (e) The Affiliate Services Agreement is adequate to safeguard the
45 public interest as required by Section 7-101 of the Act.

46

47 **Q. Did Midstates' rebuttal testimony provide you with sufficient**
48 **evidence to establish that the proposed reorganization will be in**
49 **compliance with the aforementioned sub-parts of Section 7-204(b)**
50 **of the Act, the Uniform System of Accounts for Gas Utilities**
51 **Operating in Illinois and Section 7-101 of the Act?**

52 A. Although the Company did provide additional information and proposed
53 some changes to the Affiliate Services Agreement ("ASA") and Cost
54 Allocation Manual ("CAM"), it did not completely satisfy my concerns
55 about any of these issues.

56

57 **Q. What additional information did the Company provide to address**
58 **the issues raised in your direct testimony?**

59 A. Mr. Peter Eichler (Joint Applicants' Exhibit 7.0) addressed the following
60 issues raised in my direct testimony.

61 (1) The Company is in material compliance with certain FERC
62 regulations (Liberty Exhibit 7.0, pp. 2 -3, lines 19 – 32) referenced in my
63 direct testimony (Staff Ex. 4.0, pp. 5-6).

64 (2) In rebuttal testimony, the Company provided preliminary
65 journal entries to reflect the sale of assets on the books of Atmos and the
66 purchase of assets on the books of Midstates (Joint Applicants' Ex. 7.4),
67 including account numbers and dollar amounts. I recommend a few
68 minor corrections to the preliminary journal entries. With those
69 corrections, I recommend approval of the purchase accounting entries.

70 First, customer deposits should be recorded in account 235 instead of
71 account 253, an apparent typographical error. Second, account 117.0
72 should be used to record gas stored underground – noncurrent, instead
73 of account 117.1. Finally, the current Uniform System of Accounts for
74 Gas Utilities Operating in Illinois (“USOA”) does not provide a separate
75 account to record goodwill. Accordingly, Midstates should reflect the
76 amount of goodwill in account 114, gas plant acquisition adjustments.

77 (3) The Company made revisions to the ASA and CAM (See Joint
78 Applicants’ Exhibits 7.2 and 7.3, respectively) which address the
79 following issues raised in my direct testimony.

80 a. Uncertainty regarding cost allocation. Cost allocation detail
81 needed to be included in the ASA, not the CAM since it was unclear
82 whether the CAM was part of the ASA (ICC Staff Ex. 4.0, pp. 7 - 8, lines
83 144 – 159). The CAM is now an official part of the ASA attached to
84 Peter Eichler’s rebuttal testimony (Joint Applicants Ex. 7.3).

85 b. Uncertainty as to whether the most recent version of the CAM
86 was submitted with the application (ICC Staff Ex. 4.0, p. 7, lines 152 –
87 155). Peter Eichler attached the revised CAM to his rebuttal testimony
88 (Joint Applicants’ Exhibit 7.3).

89 c. Neither Midstates nor the Liberty New Hampshire utilities were
90 specifically included in the CAM (ICC Staff Ex. 4.0, p. 8, lines 165 – 169).
91 Peter Eichler indicated that the revised CAM (Joint Applicants’ Exhibit
92 7.3) now includes these utilities (Joint Applicants’ Exhibit 7.0, p. 5, lines

93 74 – 80). I note they are included generally, as regulated utility
94 subsidiaries of Liberty Utilities (Canada) Corp. (“LUC”) in the CAM, which
95 is now officially part of the ASA. However, Liberty Midstates is still not
96 listed as a signer of the ASA (although Liberty New Hampshire is now
97 listed) (Joint Applicants’ Exhibit 7.2).

98

99 **Remaining ASA and CAM Issues**

100 **Q. What issues remain in regard to Midstates’ proposed ASA (that now**
101 **incorporates the CAM)?**

102 A. The ASA proposed in the Company’s rebuttal testimony fails to address:

103 a. The need to clearly identify what services will be provided by what
104 entity and for what entity;

105 b. The need for Liberty Midstates to be a signer of the ASA;

106 c. The need for clear cost allocation guidelines, in lieu of NARUC cost
107 principles, including a detailed cost allocation template;

108 d. The need for the ASA to cover *all* transactions between entities that
109 provide services and affiliates of Midstates that receive services;

110 e. The need for a separate agreement for each entity that provides
111 services; and

112 f. The need for *annual* internal audits of charges covered by the ASAs
113 during the preceding calendar year.

114

115 **Q. What is your current position regarding your initial**
116 **recommendations that the Company disputes.**

117 A. According to the rebuttal testimony of Mr. Eichler (Joint Applicants'
118 Exhibit 7.0), the Company disputes my recommendation to strike the
119 following quote from the ASA:

120 "This Agreement does not govern transactions between the
121 Company and an Affiliate that do not relate to the Company's
122 Illinois jurisdiction, or transactions that are not required to be
123 approved by the ICC."

124 I maintain my recommendation to strike that sentence from what is now
125 Joint Applicants' Exhibit 7.2, Schedule II to the ASA; however, I have
126 proposed alternative language that may address the concerns of the
127 Joint Applicants, as explained in Mr. Eichler's rebuttal testimony (Joint
128 Applicants' Exhibit 7.0, p. 6, lines 91 – 109).

129 Additionally, the Company disputes that a separate agreement is
130 necessary for each entity that is providing services to affiliates. I
131 maintain my position that a separate agreement is necessary for each
132 entity that is providing services to affiliates, because it is not clearly
133 determinable within the Company's proposed ASA (Joint Applicants' Ex.
134 7.2 and 7.3: (a) which entity is providing services; (b) exactly what
135 services are being provided; (c) which entities are receiving services;
136 and (d) the basis for allocation. Accordingly, Attachments A and B to my
137 testimony contain my proposed modifications to the Company's ASA and
138 CAM (Joint Applicants' Exhibits 7.2 and 7.3). In addition, I recommend

139 including a separate proposed agreement for each entity that provides
140 services to affiliates. (See ICC Staff Exhibit 10.0, Attachments C through
141 F).

142 Finally, the Company agreed to include a provision for an internal audit in
143 accordance with Ill. Adm. Code 506 on a biennial basis, instead of
144 annually. The Company does not believe it is necessary to implement a
145 separate annual audit requirement that is more stringent than the
146 Commission's rules. I maintain that an annual audit focused on areas
147 with the most potential harm to ratepayers should be required because
148 the ASA is new to Illinois and there is potential for a large amount of
149 costs to be charged to Midstates.

150 **Annual Audit Requirement**

151 **Q. Does the agreement to conduct biennial audits satisfy your concern**
152 **that the ASA be audited?**

153 A. No. I recommended an annual, rather than biennial audit be required. I
154 also recommend that certain specific tests be required within the audit.
155 An annual audit is appropriate because the ASA is new to Illinois and
156 there is potential for a large amount of costs to be charged to Midstates.
157 Further, the audit scope should be required to focus on areas with the
158 most potential harm to ratepayers.

159

160 **Q. Do any other affiliated interest agreements with Illinois utilities**
161 **require annual internal audits?**

162 A. Yes, the Master Regulated Affiliated Interest Agreement of the Peoples
163 Gas Light and Coke Company and North Shore Gas Company
164 (“Peoples/North Shore Master AIA”) includes a requirement in its Section
165 4.4 for an annual internal audit testing transactions’ compliance with the
166 agreement (Order, Docket No. 07-0361, December 5, 2007).

167 Section 4.3 of Peoples/North Shore’s AIA also requires an annual
168 internal audit.

169 Ameren Illinois Company (“Ameren”) is required conduct annual internal
170 audits of its services company’s request system, policies, procedures
171 and controls, in accordance with the Commission’s Order in Docket No.
172 06-0070, November 21, 2006.

173 MidAmerican Energy Company (“MEC”) is required to provide Staff an
174 annual internal audit of charges covered by its Intercompany
175 Administrative Services Agreement (“IASA”) (Order, May 2, 2007, Docket
176 No. 06-0291, Section I.D. of Rider to IASA).

177 Finally, the recent Order approving the Nicor/AGL reorganization
178 contained a condition that requires annual internal audits (Order,
179 December 7, 2011Docket No. 11-0046, Order, Appendix A, item 4.).

180

181 **Q. Why is it necessary to include specific audit tests in your**
182 **recommendation for an annual internal audit?**

183 A. The purpose of requiring specific tests is to ensure audit resources are
184 engaged to monitor the risk areas that the Commission deems
185 appropriate. The specific tests ensure the audit is a more useful product
186 to Staff, interveners and the Commission. Several tariffs adopted by the
187 Commission have adopted audits with specific tests, including:

- 188 • Peoples/North Shore Rider Volume Balancing Adjustment;
- 189 • Peoples Infrastructure Cost Recovery Rider;
- 190 • Commonwealth Edison Company Advanced Metering Program
191 Adjustment;
- 192 • All uncollectibles expense riders adopted pursuant to Section 19-145 and
193 16-111.8 of the Act;
- 194 • All energy efficiency and demand response riders adopted pursuant to
195 Sections 8-103 and 8-104 of the Act; and,
- 196 • All purchased electricity riders adopted pursuant to section 16-111.5 of
197 the Act.

198 My recommended language changes to the ASA regarding an annual
199 internal audit are reflected in Attachment A hereto.

200

201 **Cost Study Requirement**

202 **Q. Please describe your recommendation regarding a cost study of the**
203 **services provided under the ASA.**

204 A. The ASA's CAM includes various allocation ratios that are used to
205 allocate non-directly charged or assigned costs. These allocation ratios
206 are to be updated as necessary to reflect the addition of new entities, or
207 at least annually, using the most recent data available. However, there
208 is no requirement to conduct a full study of the cost of services provided
209 under the ASA. A full study is necessary periodically to ensure that
210 Midstates will be charged appropriately for the services it receives, with
211 no over- or under-charging. Therefore, I recommend a full study be
212 conducted every three years.

213

214 **Q. Do any other affiliated interest agreements with Illinois utilities**
215 **require triennial cost studies?**

216 A. Yes, Section 4.3 of Peoples/North Shore Master AIA and Section 4.4 of
217 Peoples/North Shore AIA contain the identical requirement. (Order,
218 Docket No. 07-0361, December 5, 2007).

219 Additionally, the recent Nicor/AGL reorganization was approved subject
220 to several conditions, one of which was that a triennial cost study be
221 provided (Order, December 7, 2011, Docket No. 11-0046, Appendix A,
222 item 5.)

223

224 **Billing Report Requirement**

225 **Q. Please describe your recommendation to include in the ASA a**
226 **requirement for the Joint Applicants to annually file a billing report.**

227 A. I recommend that the Joint Applicants annually file by May 1 a billing
228 report on the ICC's e-Docket system in Docket No. 11-0559 with a copy
229 to the ICC's Accounting Department Manager and to the Office of the
230 Chief Clerk of the ICC. The billing report should summarize the monthly
231 charges to Midstates from its affiliated service companies under the
232 ASA.

233

234 **Q. Please explain why the Commission should require the filing of an**
235 **annual billing report as a condition of the reorganization.**

236 A. The condition will provide the Commission with an important tool in
237 monitoring affiliate transactions and assure that the reorganization does
238 not result in the unjustified subsidization of non-utility activities by the
239 utility or its customers and in determining that costs and facilities are
240 fairly and reasonably allocated between utility and non-utility activities.

241

242 **Q. Do any other affiliated interest agreements with Illinois utilities**
243 **require compliance filings of monthly billing reports?**

244 A. Yes, Section 4.5 of Peoples/North Shore Master AIA and section 4.2 of
245 Peoples/North Shore's AIA contain such requirements. (Order, Docket
246 No. 07-0361, December 5, 2007).

247 The recently approved Nicor/AGL reorganization included a condition
248 that an annual billing report be filed with the ICC (Order, December 7,
249 2011, Docket No. 11-0046, Appendix A, item 6.).

250 Other utilities are required by the Commission to submit other
251 compliance information related to their affiliated interest transactions.
252 For example, Ameren submitted a quarterly list of challenges and
253 responses regarding unreasonable charges under its affiliate agreement
254 for transactions between the formerly separate Illinois utilities, pursuant
255 to the Order in Docket No. 09-0233, January 6, 2010. MidAmerican
256 submits a report of its quarterly true-up process of affiliate transactions
257 (Order, May 2, 2007, Docket No. 06-0291; Section I.C. in Rider to IASA).

258

259 **Q. Are you now able to recommend the Commission make the findings**
260 **below?**

261 A. I recommend the Commission make these findings only if it imposes the
262 conditions noted below each finding:

263 **(a) The proposed reorganization will not result in the unjustified**
264 **subsidization of non-utility activities by the utility or its**
265 **customers as required under Section 7-204(b)(2) of the Act.**

266 My recommendation regarding this finding is subject to the
267 imposition of the following conditions:

268 1) The Company is required to modify the ASA and CAM consistent
269 with my proposed revisions as set forth in Attachments A through
270 F.

271 2) Each service provider is required to provide the Manager of
272 Accounting of the ICC with a template of all allocation

273 percentages used to charge Midstates pursuant to each
274 applicable ASA. The template shall be provided within 60 days of
275 closing the proposed transaction and shall be updated annually,
276 with a copy provided to the Manager of Accounting no later than
277 March 31.

278 3) Each service provider is required to perform an annual, rather
279 than biennial audit that includes certain specific tests of costs
280 allocated to Midstates pursuant to the applicable ASA.

281 4) Each service provider is required to conduct a full study of the
282 cost of services provided under the applicable ASA on a triennial
283 basis. A full study shall be required periodically to ensure that
284 Midstates will be charged appropriately for the services it
285 receives, with no over- or under-charging.

286 5) Each service provider is required to file annually by May 1 a billing
287 report on the ICC's e-Docket system in Docket No. 11-0559 with
288 a copy to the ICC's Accounting Department Manager and to the
289 Office of the Chief Clerk of the ICC. The billing report shall
290 summarize the monthly charges to Midstates from its affiliated
291 service companies under each applicable ASA.

292 6) Midstates, its affiliate Liberty Utilities (Canada) Corp. ("LUC"), and
293 all of its affiliated service companies, such as Liberty Energy
294 Utilities (New Hampshire) Corp. are prohibited from purchasing
295 gas supply from an affiliated entity following the closing of the

296 proposed transaction unless approval is petitioned for and
297 granted by the Commission.

298 **(b) The costs and facilities are fairly and reasonably allocated**
299 **between utility and non-utility activities in such a manner that**
300 **the Commission may identify those costs and facilities which**
301 **are properly included by the utility for ratemaking purposes**
302 **as required under Section 7-204(b)(3) of the Act.**

303 My recommendation regarding this finding is subject to the
304 imposition of the following conditions.

305 1) The Company is required to modify the ASA and CAM consistent
306 with my proposed revisions as set forth in Attachments A through
307 F.

308 2) Midstates is required to provide the Manager of Accounting of the
309 ICC with a template of all allocation percentages used to charge
310 Midstates pursuant to the ASA. The template shall be provided
311 within 60 days of closing the proposed transaction and shall be
312 updated annually, with a copy provided to the Manager of
313 Accounting no later than March 31.

314 3) Each service provider is required to perform an annual, rather
315 than biennial audit that includes certain specific tests of costs
316 allocated to Midstates pursuant to the applicable ASA.

317 4) Each service provider is required to conduct a full study of the
318 cost of services provided under the applicable ASA on a triennial

319 basis. A full study is required periodically to ensure that
320 Midstates will be charged appropriately for the services it
321 receives, with no over- or under-charging.

322 5) Each service provider is required to file annually by May 1 a
323 billing report on the ICC's e-Docket system in Docket No. 11-0559
324 with a copy to the ICC's Accounting Department Manager and to
325 the Office of the Chief Clerk of the ICC. The billing report shall
326 summarize the monthly charges to Midstates from its affiliated
327 service companies under each applicable ASA.

328 6) APUC and its affiliates are required to submit a petition under
329 Section 7-101 of the Act for the Commission to consider the
330 effectiveness of the ASAs approved in this proceeding prior to
331 filing any request for an increase in rates, but in any case no later
332 than September 30 of the year following the first full calendar year
333 subsequent to closing the proposed transaction. The petition
334 shall indicate the costs recovered from Midstates for each
335 accumulated calendar year through each ASA. The allocated
336 common costs shall be supported by exemplar allocation
337 percentages for each service provided and must include all
338 allocation percentages to account for 100% of the allocated costs;
339 the direct charges to the various affiliates billed by each service
340 company shall also be included. After reviewing the results, the
341 Commission may consider modifications to the ASAs.

342 **(c) The utility will remain subject to all applicable laws,**
343 **regulations, rules, decisions and policies governing the**
344 **regulation of Illinois public utilities as required under Section**
345 **7-204(b)(5) of the Act.**

346 My recommendation regarding this finding is subject to the
347 imposition of the following conditions.

- 348 1) The Company is required to modify the ASA and CAM
349 consistent with my proposed revisions as set forth in
350 Attachments A through F.
- 351 2) Midstates is required to provide the Manager of Accounting
352 of the ICC with a template of all allocation percentages
353 used to charge Midstates pursuant to the ASA. The
354 template shall be provided within 60 days of closing the
355 proposed transaction and shall be updated annually, with a
356 copy provided to the Manager of Accounting no later than
357 March 31.
- 358 3) Each service provider is required to perform an annual,
359 rather than biennial audit that includes certain specific tests
360 of costs allocated to Midstates pursuant to the applicable
361 ASA.
- 362 4) Each service provider is required to conduct a full study of
363 the cost of services provided under the applicable ASA on
364 a triennial basis. A full study is required periodically to

- 365 ensure that Midstates will be charged appropriately for the
366 services it receives, with no over- or under-charging.
- 367 5) Each service provider is required to file annually by May 1
368 a billing report on the ICC's e-Docket system in Docket No.
369 11-0559 with a copy to the ICC's Accounting Department
370 Manager and to the Office of the Chief Clerk of the ICC.
371 The billing report shall summarize the monthly charges to
372 Midstates from its affiliated service companies under each
373 applicable ASA.
- 374 6) Atmos Energy Corporation shall remain liable for all
375 outstanding over-recovered purchased gas adjustment
376 charges related to open dockets for reconciliation periods
377 ending prior to closing of the proposed transaction.
- 378 7) Midstates, its affiliate Liberty Utilities (Canada) Corp.
379 ("LUC"), and all of its affiliated service companies, such as
380 Liberty Energy Utilities (New Hampshire) Corp. are
381 prohibited from purchasing gas supply from an affiliated
382 entity following the closing of the proposed transaction
383 unless approval is petitioned for and granted by the
384 Commission.
- 385 8) Midstates shall file the executed copy of the Asset
386 Purchase Agreement and the executed ASA with the Chief
387 Clerk of the Illinois Commerce Commission with a copy to

388 the Manager of the Accounting Department of the
389 Commission within fifteen (15) calendar days of the receipt
390 of all regulatory approvals required for the proposed
391 transaction to take effect. If the proposed transaction has
392 not been consummated within 60 calendar days of the date
393 of the Order in this proceeding, I further recommend that a
394 status report be required to be filed with the Chief Clerk
395 with a copy to the Manager of Accounting, and further
396 status reports every 90 calendar days until the executed
397 copy of the final purchase agreement has been filed.

398 **(d) The proposed accounting of the transaction is in compliance**
399 **with 83 Ill. Adm. Code 505, the Uniform System of Accounts**
400 **for Gas Utilities Operating in Illinois.**

401 My recommendation regarding this finding is subject to the
402 imposition of the following conditions.

- 403 1) The Company shall accept the corrections to its preliminary
404 journal entries as described earlier in my testimony.
- 405 2) Midstates shall file the final accounting entries (with the
406 corrections noted herein), including the actual amounts
407 recorded by Midstates within 60 calendar days following
408 the closing of the proposed transaction with the Chief Clerk
409 of the Commission with a copy of the filing to the Manager
410 of the Accounting Department of the Commission.

411

412

**(e) The Affiliate Services Agreement is adequate to safeguard
the public interest as required by Section 7-101 of the Act.**

413

414

My recommendation regarding this finding is subject to all the
conditions previously noted, including.

415

416

1) The Company is required to modify the ASA and CAM
consistent with my proposed revisions as set forth in
Attachments A through F.

417

418

419

2) Midstates is required to provide the Manager of Accounting
of the ICC with a template of all allocation percentages
used to charge Midstates pursuant to the ASA. The
template shall be provided within 60 days of closing the
proposed transaction and shall be updated annually, with a
copy provided to the Manager of Accounting no later than
March 31.

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3) Each service provider is required to perform an annual,
rather than biennial audit that includes certain specific tests
of costs allocated to Midstates pursuant to the applicable
ASA.

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4) Each service provider is required to conduct a full study of
the cost of services provided under the applicable ASA on
a triennial basis. A full study is required periodically to

431

432

433 ensure that Midstates will be charged appropriately for the
434 services it receives, with no over- or under-charging.

435 5) Each service provider is required to file annually by May 1
436 a billing report on the ICC's e-Docket system in Docket No.
437 11-0559 with a copy to the ICC's Accounting Department
438 Manager and to the Office of the Chief Clerk of the ICC.
439 The billing report shall summarize the monthly charges to
440 Midstates from its affiliated service companies under each
441 applicable ASA.

442 6) Atmos Energy Corporation shall remain liable for all
443 outstanding over-recovered purchased gas adjustment
444 charges related to open dockets for reconciliation periods
445 ending prior to closing of the proposed transaction.

446 7) Midstates, its affiliate Liberty Utilities (Canada) Corp.
447 ("LUC"), and all of its affiliated service companies, such as
448 Liberty Energy Utilities (New Hampshire) Corp. are
449 prohibited from purchasing gas supply from an affiliated
450 entity following the closing of the proposed transaction
451 unless approval is petitioned for and granted by the
452 Commission.

453 8) Midstates shall file the executed copy of the Asset
454 Purchase Agreement and the executed ASA with the Chief
455 Clerk of the Illinois Commerce Commission with a copy to

456 the Manager of the Accounting Department of the
457 Commission within fifteen (15) calendar days of the receipt
458 of all regulatory approvals required for the proposed
459 transaction to take effect. If the proposed transaction has
460 not been consummated within 60 calendar days of the date
461 of the Order in this proceeding, I further recommend that a
462 status report be required to be filed with the Chief Clerk
463 with a copy to the Manager of Accounting, and further
464 status reports every 90 calendar days until the executed
465 copy of the final purchase agreement has been filed.

466 9) The new utility shall be liable to reimburse the Commission
467 for any reasonable costs and expenses associated with an
468 audit or inspection of books and records maintained
469 outside Illinois.

470 10) Midstates shall file the final accounting entries (with the
471 corrections noted herein), including the actual amounts
472 recorded by Midstates within 60 calendar days following
473 the closing of the proposed transaction with the Chief Clerk
474 of the Commission with a copy of the filing to the Manager
475 of the Accounting Department of the Commission.

476

477 **Conclusion**

478 **Q. Does this question end your prepared rebuttal testimony?**

479 A. Yes.

AFFILIATE SERVICES AGREEMENT - APUC

This Affiliate Services Agreement (this “Agreement”) is entered into as of the ____ day of _____, 2014~~2~~, by and between Algonquin Power & Utilities Corp. (“APUC”), a Canadian Corporation; ~~Liberty Utilities (Canada) Corp. (“Liberty Utilities CA”), a Canadian Corporation; Liberty Utilities Co., a Delaware Company; and Liberty Energy Utilities (New Hampshire) Corp. (“Liberty NH”)~~ (the “Service Companies”), which ~~are companies~~ company is engaged, in part, in the rendering of services to companies in the APUC holding company system, and Algonquin Power Company (“APCO”), a Canadian Corporation; Liberty Utilities (Canada) Corp. (“LUC”), a Canadian Corporation; Liberty Utilities Co., a Delaware Company; and Liberty Energy Utilities (New Hampshire) Corp. (“Liberty NH”) and Liberty Energy (Midstates) Corp. (“Midstates”) (the “~~Receiving Company~~” or “Receiving Companies”), (all parties to this Agreement as identified on Schedule III otherwise collectively referred to as the “parties” or individually referred to as a “party”).

WHEREAS, the organization, conduct of business and method of cost allocation of the Service Company is ~~Companies are~~ designed to result in the performance of services and the provision of goods economically and efficiently for the benefit of the Receiving Companies at costs which are fairly and equitably allocated.

THEREFORE, the parties further agree as follows:

Section 1 – Provision of Services

Section 1.1 *Consultants* The Service Companies ~~have~~ and will maintain a staff trained and experienced in the provision of services of a general and administrative nature. In addition to the services of their own staff, the Service Companies will, from time to time, arrange for services of non-affiliated experts, consultants, accountants and attorneys.

Section 1.2 *Algonquin Power & Utilities Corp.* APUC agrees to provide and Receiving Companies agrees to accept 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 the Receiving Companies ~~Liberty Utilities Co. to provide utility services~~ 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 (board of director, third-party legal services, accounting services, tax planning and filings, insurance, and required auditing); (ii) capital access (communications, payment of trustee fees and escrow and transfer agent fees); (iii) financial control (audit and tax); (iv) administrative (rent, depreciation, general office), and engineering and technical labor. ~~APUC will also furnish, if available, such additional~~

services as the Receiving Company may request, including but not limited to the services detailed or described in the “Algonquin Power & Utilities Corp. Direct Charge and Cost Allocations Manual” attached as Schedule I.

~~Section 1.3 — *Liberty Utilities (Canada) Corp.* — Liberty Utilities CA agrees to provide and Receiving Company agrees to accept the following types of services (including similar services) upon the terms and conditions set forth herein: (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) assistance in emergency maintenance and restoration of utility service and in mobilization of personnel and equipment; (iv) development of human resource policies and procedures; (v) selection of information systems and equipment for accounting, engineering, administration, customer service, emergency restoration and other functions and implementation thereof; (vi) development, placement and administration of insurance coverages and employee benefit programs, including group insurance and retirement annuities, property inspections and valuations for insurance; (vii) purchasing services including preparation and analysis of product specifications, requests for proposals and similar solicitations; and vendor and vendor product evaluations; (viii) energy procurement oversight and load forecasting; and (ix) development of regulatory strategy. Liberty Utilities CA will also furnish, if available, such additional services as the Receiving Company may request, including the services detailed or described in the “Algonquin Power & Utilities Corp. Direct Charge and Cost Allocations Manual” attached as Schedule I.~~

~~Section 1.4 — *Liberty Utilities Co.* — Liberty Utilities Co. agrees to provide and Receiving Company agrees to accept financing including guarantees, short term loans, and long term capital debt financing on terms and conditions that the parties memorialize in a written agreement or agreements, which are separately subject to any federal or state law or any rule, regulation or order of a federal or state regulatory body having jurisdiction, including the approval of any federal or state regulatory body that is a legal prerequisite to the execution and performance of the agreement(s).~~

~~Section 1.5 — *Liberty Energy Utilities (New Hampshire) Corp.* — Liberty NH agrees to provide and Receiving Company agrees to accept gas procurement and gas control services.~~

Section 2 – Records and Charges

Section 2.1 *Records* All services rendered under this Agreement will be provided at actual cost thereof. Records will be maintained for each department and division of the Service Companies in order to accumulate all costs of doing business and to determine the cost of service. These costs will include wages and salaries of employees and related expenses such as insurance, taxes, pensions and other employee welfare expenses, and rent, light, heat, telephone, supplies, and other housekeeping costs.

In addition, records will be maintained of general administrative expenses, which will include the costs of operating the Service Companies as a corporate entities.

Each party shall maintain adequate books and records with respect to the transactions subject to this Agreement. Each party shall be responsible for maintaining internal controls to ensure the costs associated with transactions covered by the Agreement are properly and consistently allocated and billed in accordance with the terms and provisions of this Agreement.

Section 2.2 *Charges* Charges for services rendered and related expenses will be charged according to the procedures set forth in the Cost Allocation Manual attached hereto as Schedule I, except those services covered by Schedule II, the Illinois Rider, in which case the charges shall be based on the provisions set forth therein.

Section 3 - Term

Section 3.1 *Term* The effective date of this Agreement shall be the date noted above and shall continue unless terminated by either the Receiving Company or the Service Companies giving thirty days' written notice to the other of such termination at the end of any month. Any such termination shall not affect the terminating party's accrued rights and obligations under this Agreement arising prior to the effective date of termination. This Agreement shall not be amended except by a written instrument signed by an authorized representative of each of the parties hereto.

Section 4 – Confidential Information

Section 4.1 *Confidential Information* Each party shall treat in confidence all information that it shall have obtained regarding the other parties and their respective businesses during the course of the performance of this Agreement. Such information shall not be communicated to any person other than the parties to this Agreement, except to the extent disclosure of such information is required by a governmental authority. If a party is required to disclose confidential information to a governmental authority, such party shall take reasonable steps to make such disclosure confidential under the rules of such governmental authority. Information provided hereunder shall remain the sole property of the party providing such information. The obligation of a party to treat such information in confidence shall not apply to any information which (i) is or becomes available to such party from a source other than the party providing such information, or (ii) is or becomes available to the public other than as a result of disclosure by such party or its agents.

Section 5 – Miscellaneous

Section 5.1 *Rider* Any state specific terms and/or conditions and/or services are specified in Schedule II to this Agreement.

Section 5.2 *Compliance with Governing Law* This Agreement will be subject to termination or modification at any time to the extent its performance may conflict with any federal or state law or any rule, regulation or order of a federal or state regulatory body having jurisdiction. This Agreement shall be subject to approval of any federal or state regulatory body whose approval is a legal prerequisite to its execution and performance. Cost allocations and the methods of allocation provided herein may also be subject to the jurisdiction of the Federal Energy Regulatory Commission (“FERC”) under Section 1275 of the Energy Policy Act of 2005 and the rules promulgated thereunder and, to the extent applicable, FERC determinations regarding the allocation of costs shall be dispositive. Any number of counterparts of this Agreement may be executed, and each shall have the same force and effect as an original instrument, as if all parties to all counterparts had signed the same instrument.

Section 5.3 *Limitation of Liability* Each party acknowledges and agrees that any services provided by the Service Companies hereunder are so provided WITHOUT ANY WARRANTY (WHETHER EXPRESS, IMPLIED OR STATUTORY AND NOTWITHSTANDING ANY ORAL OR WRITTEN STATEMENT BY A PARTY’S EMPLOYEES, REPRESENTATIVES OR AGENTS TO THE CONTRARY) WHATSOEVER. ALL SUCH WARRANTIES INCLUDING, WITHOUT LIMITATION, THE WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE) ARE HEREBY DISCLAIMED AND EXCLUDED.

Section 5.4 *Exclusive Benefit* This Agreement is intended for the exclusive benefit of the parties hereto and is not intended and shall not be deemed or construed, to create any rights in, or responsibilities to, third parties.

Section 5.5 *Assignment* This Agreement may not be assigned by any party without the prior written consent of all parties.

Section 5.6 *Severability* Wherever possible, each provision hereof shall be interpreted in such manner as to be effective and valid under applicable law, but in case any one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such provision shall be ineffective to the extent, but only to the extent, of such invalidity, illegality or enforceable provision or provisions or any other provisions hereof, unless such a construction would be unreasonable.

Section 5.7 *Waiver* Failure by any party to insist upon strict performance of any term or condition herein shall not be deemed a waiver of any rights or remedies that such party may have against any other party nor in any way affect the validity of this Agreement or any part hereof or the right of such party thereafter to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to constitute a waiver of any other subsequent breach.

Section 5.8 *Entirety* This Agreement including Schedules I, ~~and II,~~ and III attached hereto constitute the entire Agreement between the parties pertaining to the subject matter hereof and supersedes all prior Agreements, understandings, negotiations

and discussions, whether oral or written between the parties with respect to the subject matter hereof. In the event of a conflict or inconsistency between the terms of this Agreement and Schedules I and II, Schedules I and II shall prevail.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the date first above mentioned.

ALOGONQUIN POWER AND UTILITIES CORP.

By: _____
Name:
Title:

LIBERTY UTILITIES (CANADA) CORP.

By: _____
Name;
Title:

LIBERTY UTILITIES CO.

By: _____
Name:
Title:

LIBERTY ENERGY UTILITIES (NEW HAMPSHIRE) CORP.

By: _____
Name:
Title:

LIBERTY ENERGY (MIDSTATES) CORP.

By: _____
Name:
Title:

ALGONQUIN POWER COMPANY.

By: _____
Name:
Title:

SCHEDULE I

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

[Remainder of page left intentionally blank.]

SCHEDULE II

ILLINOIS RIDER

This Rider is attached to and hereby made a part of the _____, 2014² Affiliate Services Agreement (“Agreement” or “ASA”) by and between Algonquin Power & Utilities Corp. (“APUC”), a Canadian Corporation, (the “Service Company” or “Provider”); Algonquin Power Company (“APCO”), a Canadian Corporation; Liberty Utilities (Canada) Corp. (“Liberty Utilities CA”), a Canadian Corporation; Liberty Utilities Co., a Delaware Company; and Liberty Energy Utilities (New Hampshire) Corp. (“Liberty NH”), a Delaware Company and Liberty Energy (Midstates) Corp., a Missouri Company (the “Receiving Company”).

A. Applicability of ASA and ICC Review and Notification

1. This agreement is intended to cover all transactions between the Receiving Company and the Service Companies for which Illinois Commerce Commission (“ICC”) approval is or may be required, other than such transactions that are the subject of separate arrangements or agreements that are part of a competitive process under Administrative Code parts 310.60 and 310.70 (or any successor code parts or other laws) or that the Parties explicitly state are not subject to this Agreement. These provisions shall be limited in their application to transactions that affect Midstates costs subject to the regulatory oversight of the Illinois Commerce Commission (“ICC”) and shall remain in effect until otherwise ordered by the ICC. ~~This Agreement does not govern transactions between the Receiving Company and the Service Companies that do not relate to the Receiving Company’s Illinois jurisdiction, or transactions that are not required to be approved by the ICC.~~ This Agreement should be construed so as to comply with all applicable law, including the Illinois Public Utilities Act. This Agreement shall be interpreted in accordance with such purposes and intent.
2. Any request for services from the Receiving Company to the Service Companies will be available for review by the ICC.
3. The Receiving Company will notify the ICC within thirty days of any termination by means of an information filing with the Chief Clerk of the ICC and a copy of the information filing shall be sent to the Manager of Accounting of the ICC.
4. ICC approval notification is required for the addition of any new parties that are Receiving Companies to this Agreement. ICC approval is required for the addition of any new service companies to this Agreement.
5. During the term of the Agreement and for a period of seven years after its expiration or termination as to a Service Company, the ICC shall have access to

such Records of the Service Company as they relate to transactions between such party and the Receiving Company's Illinois operation to the extent allowed under Section 7-101 of the Public Utilities Act (220 ILCS 5/7-101) and subject to Section 5-108 of the Illinois Public Utilities Act.

6. The ASA shall be construed to apply to both services and facilities.
7. An internal audit of charges covered by the ASA during the preceding calendar year shall be provided to the Accounting Department Manager no later than July 1 of each calendar year. The first such report shall cover the first calendar year beginning after the year in which the proposed transaction closes. The internal audit report shall reflect the results of an internal audit that tests compliance with the processes outlined in the ASA. The internal audit shall also include a review of the allocation factors and the calculation of each to verify that they are updated and calculated in accordance with the ASA.
8. A study of the cost of services provided under the ASA shall be performed every three years, with the first study to cover the initial three year period commencing after the year in which the proposed transaction closes. A report on the cost of services study shall be provided to the Accounting Department Manager no later than July 1 of the year following the initial three-year period.
9. Midstates shall file no later than May 1 annually a billing report on the ICC's e-Docket system in Docket No. 11-0559 with a copy to the ICC's Accounting Department Manager and to the Office of the Chief Clerk of the ICC. The billing report shall summarize the monthly charges to Midstates from affiliated service companies under the ASA.

B. The following bases for charges shall apply to transactions entered into pursuant to the ASA:

- i. Costs charged and allocated pursuant to the ASA shall include direct labor, direct materials, direct purchased services associated with the related asset or services, and overhead amounts.
- ii. Tariffed rates or other pricing mechanisms established by rate setting authorities shall be used to provide all regulated services.
- iii. Services not covered by (ii) shall be charged by the providing party to the receiving party at fully distributed cost.
- iv. For facilities and administrative services rendered to a rate-regulated subsidiary of the Service Company, parties shall charge for services on the following basis:

Services provided to a rate-regulated subsidiary of Service Company by another party shall be charged by the providing party to the receiving party at: (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 (determined as provided in the CAM) incurred by the providing party in providing such service to the receiving party.

SCHEDULE III
APUC¹ (“Service Company” or “Provider”)
and Subsidiaries (“Receiving Companies”)

A. Holding Companies (according to Company response to Staff Data Request RWB 3.02 Attachment)

- 1) Algonquin Power & Utilities Corp. (APUC)
- 2) Algonquin Power Co. (each of its subsidiaries should be listed separately.)
- 3) Algonquin Holdco Inc.
- 4) Algonquin Power Fund (Canada) Inc.
- 5) Algonquin Power (America) Inc.
- 6) Algonquin Power Fund (America) Inc.
- 7) Algonquin Power Fund (America) Holdco Inc.
- 8) Oswego Power Company, Inc.
- 9) Oswego Energy Corp.
- 10) Court Street Investments, Inc.
- 11) CSI Oswego Corp.
- 12) Great Falls Energy, LLC
- 13) Liberty Utilities (Canada) Corp. (a Canadian Corporation)¹
- 14) Liberty Utilities (America) Co.
- 15) Liberty Utilities Co. (a Delaware Corporation)¹
- 16) Liberty Energy Utilities Co.¹
- 17) California Pacific Utilities Ventures, LLC

B. Public Utilities and Natural Gas Companies (entities B.3 through B.17 are Qualifying Facilities, as defined under Public Utility Reg. Policy Act of 1978) (according to Company response to Staff Data Request RWB 3.02 Attachment)

- 1) Algonquin Power Windsor Locks, LLC
- 2) California Pacific Electric Company
- 3) Burt Dam Power Company
- 4) Hollow Dam Power Company
- 5) Moretown Hydro Energy Company
- 6) Clement Dam Hydroelectric, LLC
- 7) HDI Associates I
- 8) Gregg Falls Hydroelectric Associates Limited Partnership
- 9) Mine Falls Limited Partnership
- 10) Great Falls Hydroelectric Company Limited Partnership
- 11) Lakeport Hydroelectric Corp.
- 12) Franklin Power
- 13) Oswego Hydro Partners LP
- 14) Tug Hill Energy, Inc.
- 15) Algonquin Power Sanger LLC
- 16) Algonquin Northern Maine Gen Co.
- 17) Algonquin Tinker Gen Co.

¹ This entity is a holding company as defined by FERC regulation 18 CFR section 366.1 (2011), according to the Company's response to Staff Data Request RWB 3.02.

C. Service Companies (according to Company response to Staff Data Request RWB 3.02 Attachment)

Liberty Utilities (Canada) Corp. (a Canadian Corporation)¹
Liberty Energy Utilities (New Hampshire) Corp.
Algonquin Power Co.

D. Other Affiliates and Subsidiaries^{2,3}

Liberty Energy (Midstates) Corp.
CaliforniaPacific Electric Company, LLC
California Utility – (Each separate entity should be listed separately)
Liberty Water Co.
Algonquin Water Resources of Texas, LLC
Algonquin Water Resources of North Carolina, Inc.
Algonquin Water Resources of Missouri, LLC
Algonquin Water Resources of Illinois, LLC Inc.
Black Mountain Sewer Corporation
Algonquin Environmental Services LLC
Bella Vista Water Co. Inc.
Rio Rico Utilities Inc.
Tall Timbers Utility Company, Inc.
Entrada Del Oro Sewer Company
Northwest Sewer Inc.
Litchfield Park Service Company
Northern Sunrise Water Company, Inc.
Southern Sunrise Water Company, Inc.
Woodmark Utilities, Inc.
Gold Canyon Sewer Company

² According to the Company's response to Staff Data Request RWB 3.02 (Attachment), a copy of the APUC Form FERC-65 Notification of Holding Company Status, the APUC corporate family includes numerous affiliates and subsidiaries that are not identified in the Form FERC-65 Notification of Holding Company Status because they are not relevant to the Algonquin family of holding companies' status as a holding company, and it would be unduly burdensome and not relevant to include them in the Form FERC-65 Notification of Holding Company Status.

³ The listed entities in Section D. have been abstracted by Staff witness Pearce from the organization chart included in the JA petition (Joint Applicants' Ex. D).

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.

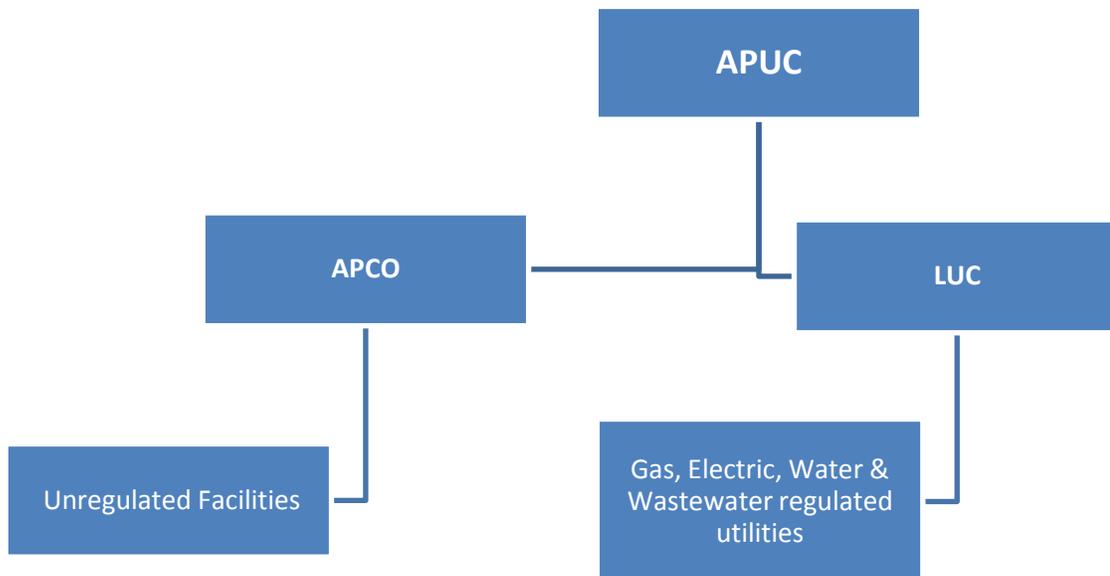
**ALGONQUIN POWER & UTILITIES CORP.
COST ALLOCATION MANUAL**

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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”), and Liberty Utilities (Canada) Corp. (“LUC”), and LUC’s service companies to the regulated utility assets and to describe the Direct Charge and Cost Allocation Methodologies used by APUC, and LUC and the service companies. The following organization chart describes the relationships between the separate entities:



The following Cost Allocation Manual 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.

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

Costs shall be charged to a party using either a direct charge or an allocation. Any cost allocation methodology for the assignment of corporate and affiliate costs will comply with the following principles:

- 1) For administrative services rendered to a rate-regulated subsidiary of APUC or each cost category subject to allocation to rate-regulated subsidiaries by APUC, APUC must be able to demonstrate that such service or cost category is reasonable for the rate-regulated subsidiary for the performance of its regulated operations, is not duplicative of administrative services already performed within the rate-regulated subsidiary, and is reasonable and prudent.
- 2) APUC will have in place positive time reporting systems adequate to support the allocation and assignment of costs of executives and other relevant personnel to receiving parties.
- 3) Parties must maintain records sufficient to specifically identify costs subject to allocation, particularly with respect to their origin. In addition, the records must be adequately supported in a manner sufficient to justify recovery of the costs in

rates of rate-regulated receiving parties to this agreement to ensure that costs which would have been denied recovery in rates had such costs been directly incurred by the regulated operation are appropriately identified and segregated in the books of the regulated operation.

- 4) Late payments for services shall bear interest at a rate equal to prime rate reported in the *Wall Street Journal* and shall be based on the period of time that the payment is late.

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 typically capitalized and directly charged to the relevant utility. Costs that benefit multiple recipients shall be pooled and allocated on the basis of a two-factor formula. Under this approach, each such Party is allocated and billed

for a portion of the pooled costs based on an average of such Party's gross payroll and total asset amounts relative to the corresponding averages for the other Parties. The two-factor formula shall be calculated annually following the cost of books for the year and applied to the following year's pooled costs.

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

Costs shall be charged to a party using either a direct charge or an allocation. Any cost allocation methodology for the assignment of corporate and affiliate costs will comply with the following principles:

- 1) For administrative services rendered to a rate-regulated subsidiary of LUC or each cost category subject to allocation to rate-regulated subsidiaries by LUC, LUC must be able to demonstrate that such service or cost category is reasonable for the rate-regulated subsidiary for the performance of its regulated operations, is not duplicative of administrative services already performed within the rate-regulated subsidiary, and is reasonable and prudent.
- 2) LUC will have in place positive time reporting systems adequate to support the allocation and assignment of costs of executives and other relevant personnel to receiving parties.
- 3) Parties must maintain records sufficient to specifically identify costs subject to allocation, particularly with respect to their origin. In addition, the records must be adequately supported in a manner sufficient to justify recovery of the costs in rates of rate-regulated receiving parties to this agreement to ensure that costs which would have been denied recovery in rates had such costs been directly incurred by the regulated operation are appropriately identified and segregated in the books of the regulated operation.
- 4) Late payments for services shall bear interest at a rate equal to prime rate reported in the *Wall Street Journal* and shall be based on the period of time that the payment is late.

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.~~ (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) assistance in emergency maintenance and restoration of utility service and in mobilization of personnel and equipment; (iv) development of human resource policies and procedures; (v) selection of information systems and

equipment for accounting, engineering, administration, customer service, emergency restoration and other functions and implementation thereof; (vi) development, placement and administration of insurance coverages and employee benefit programs, including group insurance and retirement annuities, property inspections and valuations for insurance; (vii) purchasing services including preparation and analysis of product specifications, requests for proposals and similar solicitations; and vendor and vendor-product evaluations; (viii) energy procurement oversight and load forecasting; and (ix) 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%
Total	100%

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:

FACTOR	Utility 1	Utility 2	TOTAL ALL UTILITIES	UTILITY 1 % OF TOTAL	FACTOR WEIGHT	UTILITY 1 ALLOCATION
UTILITY PLANT	727	371	1098	66%	50%	33%

CUSTOMER COUNT	6000	1000	7000	86%	40%	34%
LABOR COSTS	57	32	89	64%	5%	3%
EXPENSES	108	41	149	72%	5%	4%
TOTAL ALLOCATION						74%

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.

In addition, LUC provides information technology and some human resource services to APCo and APUC. These costs are directly charged to APCo and APUC where possible. Costs that benefit multiple recipients shall be pooled and allocated on the basis of a two-factor formula. Under this approach, each such Party is allocated and billed for a portion of the pooled costs based on an average of such Party’s gross payroll and total asset amounts relative to the corresponding averages for the other Parties. The two-factor formula shall be calculated at least annually following the close of books for the year and applied to the following year’s pooled costs. The

factor may be updated more frequently than annually if the changes in companies added or deleted to/from the ASA have a material impact on the costs that are allocated to the regulated entities.

V. 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

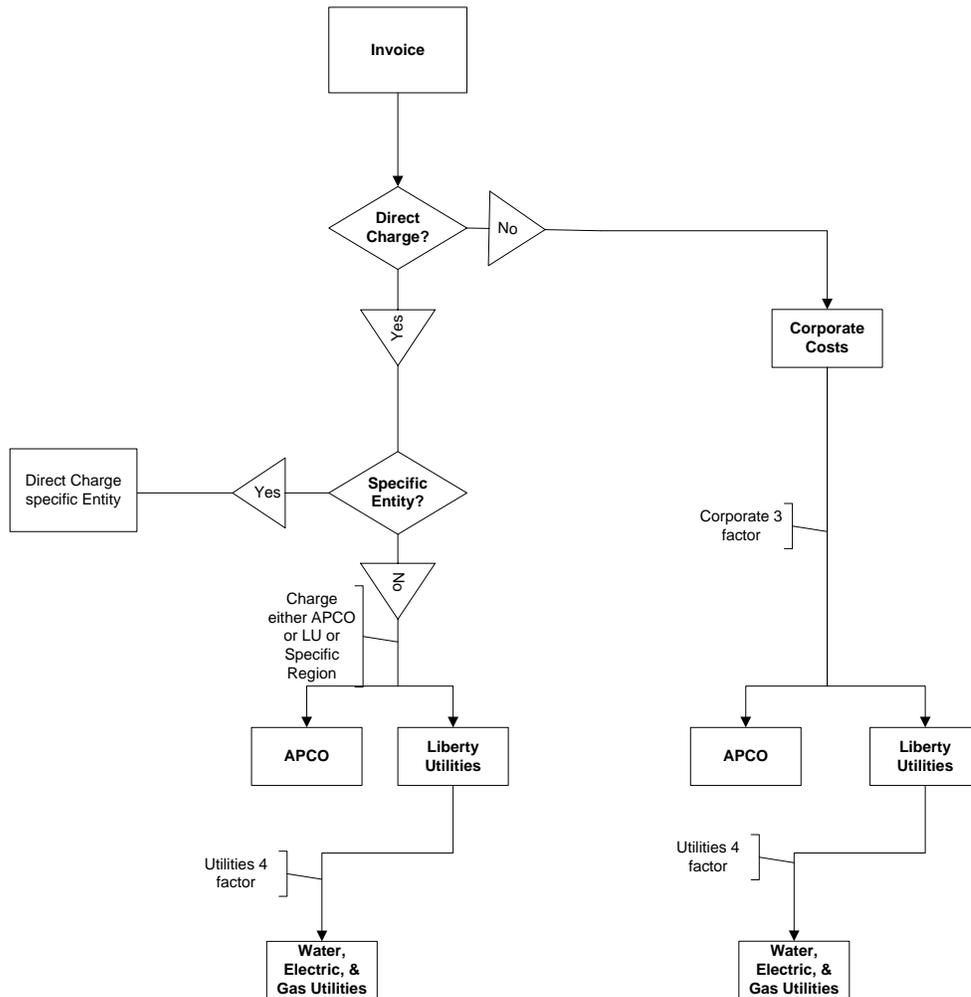
Taxes are paid on behalf of the regulated utilities at the parent level as part of a consolidated United States tax return. Tax services such as planning and filing are provided by third parties. Filing tax returns on a consolidated basis benefits each regulated utility by reducing the costs that otherwise 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 Corporate 4 factor model is used to allocate these costs to APCO, LEC, and LWC.

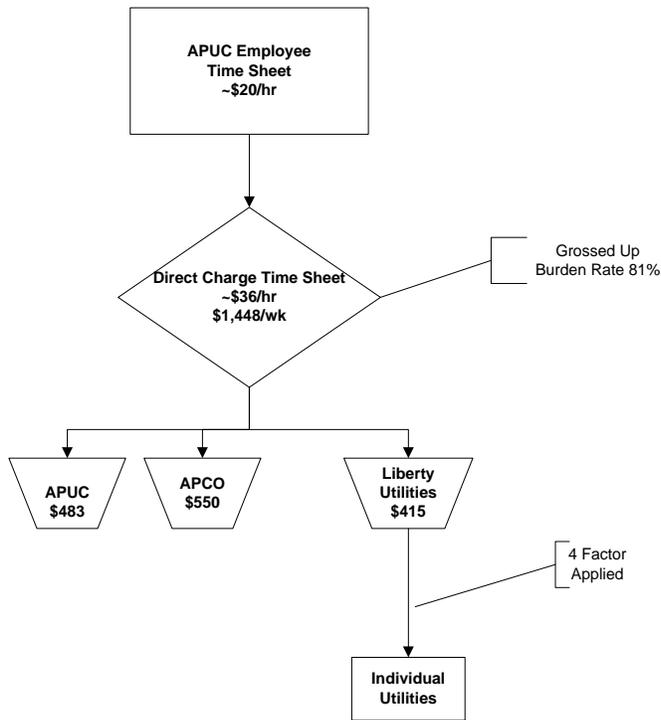
APPENDIX 3 – LIFE OF AN INVOICE

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:



AFFILIATE SERVICES AGREEMENT - LUC

This Affiliate Services Agreement (this "Agreement") is entered into as of the ____ day of _____, 2014~~2~~, by and between Liberty Utilities (Canada) Corp. ("LUC") ~~Algonquin Power & Utilities Corp. ("APUC"), a Canadian Corporation; Liberty Utilities (Canada) Corp. ("Liberty Utilities CA"), a Canadian Corporation; Liberty Utilities Co., a Delaware Company; and Liberty Energy Utilities (New Hampshire) Corp. ("Liberty NH")~~ (the "Service Companies"), which ~~are companies~~ company is engaged, in part, in the rendering of services to companies in the APUC holding company system, and Algonquin Power & Utilities Corp. ("APUC"); Liberty Utilities Co., a Delaware Corporation; and Liberty Energy Utilities (New Hampshire) Corp. ("Liberty NH"); Liberty Energy (Midstates) Corp.; and Algonquin Power Company ("APCO") (the "Receiving Company" ~~or "Receiving Companies"~~), (all parties to this Agreement as identified on Schedule III otherwise collectively referred to as the "parties" or individually referred to as a "party").

WHEREAS, the organization, conduct of business and method of cost allocation of the Service Company is ~~Companies are~~ designed to result in the performance of services and the provision of goods economically and efficiently for the benefit of the Receiving Companies at costs which are fairly and equitably allocated.

THEREFORE, the parties further agree as follows:

Section 1 – Provision of Services

Section 1.1 *Consultants* The Service Companies ~~has~~ and will maintain a staff trained and experienced in the provision of services of a general and administrative nature. In addition to the services of their own staff, the Service Companies will, from time to time, arrange for services of non-affiliated experts, consultants, accountants and attorneys.

~~Section 1.2~~ *Algonquin Power & Utilities Corp.* ~~APUC~~ ~~agrees to provide and~~ Receiving Companies ~~agrees to accept~~ ~~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 the Receiving Companies ~~Liberty Utilities Co. to provide utility services 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 (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); (iv) administrative (rent, depreciation, general office costs), and engineering and technical labor. ~~APUC will also furnish, if available, such~~

~~additional services as the Receiving Company may request, including but not limited to the services detailed or described in the “Algonquin Power & Utilities Corp. Direct Charge and Cost Allocations Manual” attached as Schedule I.~~

Section 1.32 *Liberty Utilities (Canada) Corp.* Liberty Utilities CA agrees to provide and Receiving Companies agrees to accept the following ~~types of services (including similar services)~~ upon the terms and conditions set forth herein: (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) assistance in emergency maintenance and restoration of utility service and in mobilization of personnel and equipment; (iv) development of human resource policies and procedures; (v) selection of information systems and equipment for accounting, engineering, administration, customer service, emergency restoration and other functions and implementation thereof; (vi) development, placement and administration of insurance coverages and employee benefit programs, including group insurance and retirement annuities, property inspections and valuations for insurance; (vii) purchasing services including preparation and analysis of product specifications, requests for proposals and similar solicitations; and vendor and vendor-product evaluations; (viii) energy procurement oversight and load forecasting; and (ix) development of regulatory strategy. Liberty Utilities CA will also furnish, if available, such additional services as the Receiving Company may request, including the services detailed or described in the “Algonquin Power & Utilities Corp. Direct Charge and Cost Allocations Manual” attached as Schedule I.

Liberty Utilities CA provides information technology and some human resource services to APCo and APUC. These costs are directly charged to APCo and APUC where possible. Costs that benefit multiple recipients shall be pooled and allocated on the basis of a two-factor formula. Under this approach, each such Party is allocated and billed for a portion of the pooled costs based on an average of such Party’s gross payroll and total asset amounts relative to the corresponding averages for the other Parties. The two-factor formula shall be calculated at least annually following the close of books for the year and applied to the following year’s pooled costs. The factor may be updated more frequently than annually if the changes in companies added or deleted to/from the ASA have a material impact on the costs that are allocated to the regulated entities.

~~Section 1.4 *Liberty Utilities Co.* Liberty Utilities Co. agrees to provide and Receiving Company agrees to accept financing including guarantees, short term loans, and long term capital debt financing on terms and conditions that the parties memorialize in a written agreement or agreements, which are separately subject to any federal or state law or any rule, regulation or order of a federal or state regulatory body having jurisdiction, including the approval of any federal or state regulatory body that is a legal prerequisite to the execution and performance of the agreement(s).~~

~~Section 1.5 — Liberty Energy Utilities (New Hampshire) Corp. — Liberty NH agrees to provide and Receiving Company agrees to accept gas procurement and gas control services.~~

Section 2 – Records and Charges

Section 2.1 *Records* All services rendered under this Agreement will be provided at actual cost thereof. Records will be maintained for each department and division of the Service Companies in order to accumulate all costs of doing business and to determine the cost of service. These costs will include wages and salaries of employees and related expenses such as insurance, taxes, pensions and other employee welfare expenses, and rent, light, heat, telephone, supplies, and other housekeeping costs. In addition, records will be maintained of general administrative expenses, which will include the costs of operating the Service Companies as corporate entities.

Each party shall maintain adequate books and records with respect to the transactions subject to this Agreement. Each party shall be responsible for maintaining internal controls to ensure the costs associated with transactions covered by the Agreement are properly and consistently allocated and billed in accordance with the terms and provisions of this Agreement.

Section 2.2 *Charges* Charges for services rendered and related expenses will be charged according to the procedures set forth in the Cost Allocation Manual attached hereto as Schedule I, except those services covered by Schedule II, the Illinois Rider, in which case the charges shall be based on the provisions set forth therein.

Section 3 - Term

Section 3.1 *Term* The effective date of this Agreement shall be the date noted above and shall continue unless terminated by either the Receiving Company or the Service Companies giving thirty days' written notice to the other of such termination at the end of any month. Any such termination shall not affect the terminating party's accrued rights and obligations under this Agreement arising prior to the effective date of termination. This Agreement shall not be amended except by a written instrument signed by an authorized representative of each of the parties hereto.

Section 4 – Confidential Information

Section 4.1 *Confidential Information* Each party shall treat in confidence all information that it shall have obtained regarding the other parties and their respective businesses during the course of the performance of this Agreement. Such information shall not be communicated to any person other than the parties to this Agreement, except to the extent disclosure of such information is required by a governmental authority. If a party is required to disclose confidential information to a governmental authority, such party shall take reasonable steps to make such disclosure confidential under the rules of such governmental authority. Information provided hereunder shall remain the sole

property of the party providing such information. The obligation of a party to treat such information in confidence shall not apply to any information which (i) is or becomes available to such party from a source other than the party providing such information, or (ii) is or becomes available to the public other than as a result of disclosure by such party or its agents.

Section 5 – Miscellaneous

Section 5.1 *Rider* Any state specific terms and/or conditions and/or services are specified in Schedule II to this Agreement.

Section 5.2 *Compliance with Governing Law* This Agreement will be subject to termination or modification at any time to the extent its performance may conflict with any federal or state law or any rule, regulation or order of a federal or state regulatory body having jurisdiction. This Agreement shall be subject to approval of any federal or state regulatory body whose approval is a legal prerequisite to its execution and performance. Cost allocations and the methods of allocation provided herein may also be subject to the jurisdiction of the Federal Energy Regulatory Commission (“FERC”) under Section 1275 of the Energy Policy Act of 2005 and the rules promulgated thereunder and, to the extent applicable, FERC determinations regarding the allocation of costs shall be dispositive. Any number of counterparts of this Agreement may be executed, and each shall have the same force and effect as an original instrument, as if all parties to all counterparts had signed the same instrument.

Section 5.3 *Limitation of Liability* Each party acknowledges and agrees that any services provided by the Service Companies hereunder are so provided WITHOUT ANY WARRANTY (WHETHER EXPRESS, IMPLIED OR STATUTORY AND NOTWITHSTANDING ANY ORAL OR WRITTEN STATEMENT BY A PARTY’S EMPLOYEES, REPRESENTATIVES OR AGENTS TO THE CONTRARY) WHATSOEVER. ALL SUCH WARRANTIES INCLUDING, WITHOUT LIMITATION, THE WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE) ARE HEREBY DISCLAIMED AND EXCLUDED.

Section 5.4 *Exclusive Benefit* This Agreement is intended for the exclusive benefit of the parties hereto and is not intended and shall not be deemed or construed, to create any rights in, or responsibilities to, third parties.

Section 5.5 *Assignment* This Agreement may not be assigned by any party without the prior written consent of all parties.

Section 5.6 *Severability* Wherever possible, each provision hereof shall be interpreted in such manner as to be effective and valid under applicable law, but in case any one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such provision shall be ineffective to the extent, but only to the extent, of such invalidity, illegality or unenforceable provision or provisions or any other provisions hereof, unless such a construction would be

unreasonable.

Section 5.7 *Waiver* Failure by any party to insist upon strict performance of any term or condition herein shall not be deemed a waiver of any rights or remedies that such party may have against any other party nor in any way affect the validity of this Agreement or any part hereof or the right of such party thereafter to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to constitute a waiver of any other subsequent breach.

Section 5.8 *Entirety* This Agreement including Schedules I, ~~and II, and III~~ attached hereto constitute the entire Agreement between the parties pertaining to the subject matter hereof and supersedes all prior Agreements, understandings, negotiations and discussions, whether oral or written between the parties with respect to the subject matter hereof. In the event of a conflict or inconsistency between the terms of this Agreement and Schedules I and II, Schedules I and II shall prevail.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the date first above mentioned.

ALOGONQUIN POWER AND UTILITIES CORP.

By: _____

Name:

Title:

LIBERTY UTILITIES (CANADA) CORP.

By: _____

Name;

Title:

LIBERTY UTILITIES CO.

By: _____

Name:

Title:

LIBERTY ENERGY UTILITIES (NEW HAMPSHIRE) CORP.

By: _____
Name:
Title:

LIBERTY ENERGY (MIDSTATES) CORP.

By: _____
Name:
Title:

ALGONQUIN POWER COMPANY

By: _____
Name:
Title:

SCHEDULE I

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

[Remainder of page left intentionally blank.]

SCHEDULE II

ILLINOIS RIDER

This Rider is attached to and hereby made a part of the _____, 2014~~2~~ Affiliate Services Agreement (“Agreement” or “ASA”) by and between Liberty Utilities (Canada) Corp. (“LUC”), a Canadian Corporation (“Provider” or “Service Companiesy”); Algonquin Power & Utilities Corp. (“APUC”), a Canadian Corporation; Algonquin Power Company (“APCO”) ~~Liberty Utilities (Canada) Corp. (“Liberty Utilities CA”)~~, a ~~Canadian Corporation~~; Liberty Utilities Co., a Delaware Company; and Liberty Energy Utilities (New Hampshire) Corp. (“Liberty NH”), a Delaware Company; ~~(collectively the “Service Companies”)~~ and Liberty Energy (Midstates) Corp., a Missouri Company (“Midstates”); and Algonquin Power Company (“APCO”), a Canadian Corporation; (the “Receiving Companies”).

A. Applicability of ASA and ICC Review and Notification

1. This agreement is intended to cover all transactions between the Receiving Companies and the Service Company for which Illinois Commerce Commission (“ICC”) approval is or may be required, other than such transactions that are the subject of separate arrangements or agreements that are part of a competitive process under Administrative Code parts 310.60 and 310.70 (or any successor code parts or other laws) or that the Parties explicitly state are not subject to this Agreement. These provisions shall be limited in their application to transactions that affect Midstates costs subject to the regulatory oversight of the Illinois Commerce Commission (“ICC”) and shall remain in effect until otherwise ordered by the ICC. ~~This Agreement does not govern transactions between the Receiving Company and the Service Companies that do not relate to the Receiving Company’s Illinois jurisdiction, or transactions that are not required to be approved by the ICC.~~ This Agreement should be construed so as to comply with all applicable law, including the Illinois Public Utilities Act. This Agreement shall be interpreted in accordance with such purposes and intent.
2. Any request for services from the Receiving Companiesy to the Service Companiesy will be available for review by the ICC.
3. The Receiving Company-ies will notify the ICC within thirty days of any termination by means of an information filing with the Chief Clerk of the ICC and a copy of the information filing shall be sent to the Manager of Accounting of the ICC.
4. ICC approval notification is required for the addition of any new parties that are Receiving Companies to this Agreement. ICC approval is required for the addition of any new service companies to this Agreement.

5. During the term of the Agreement and for a period of seven years after its expiration or termination as to a Service Company, the ICC shall have access to such Records of the Service Company as they relate to transactions between such party and the Receiving Company's Illinois operation to the extent allowed under Section 7-101 of the Public Utilities Act (220 ILCS 5/7-101) and subject to Section 5-108 of the Illinois Public Utilities Act.
6. The ASA shall be construed to apply to both services and facilities.
7. An internal audit of charges covered by the ASA during the preceding calendar year shall be provided to the Accounting Department Manager no later than July 1 of each calendar year. The first such report shall cover the first calendar year beginning after the year in which the proposed transaction closes. The internal audit report shall reflect the results of an internal audit that tests compliance with the processes outlined in the ASA. The internal audit shall also include a review of the allocation factors and the calculation of each to verify that they are updated and calculated in accordance with the ASA.
8. A study of the cost of services provided under the ASA shall be performed every three years, with the first study to cover the initial three year period commencing after the year in which the proposed transaction closes. A report on the cost of services study shall be provided to the Accounting Department Manager no later than July 1 of the year following the initial three-year period.
9. **LUC** shall file no later than May 1 annually a billing report on the ICC's e-Docket system in Docket No. 11-0559 with a copy to the ICC's Accounting Department Manager and to the Office of the Chief Clerk of the ICC. The billing report shall summarize the monthly charges to Midstates from affiliated service company under the ASA.

B. The following bases for charges shall apply to transactions entered into pursuant to the ASA:

- i. Costs charged and allocated pursuant to the ASA shall include direct labor, direct materials, direct purchased services associated with the related asset or services, and overhead amounts.
- ii. Tariffed rates or other pricing mechanisms established by rate setting authorities shall be used to provide all regulated services.
- iii. Services not covered by (ii) or (iv) shall be charged by the providing party to the receiving party at fully distributed cost.
- iv. For facilities and administrative services rendered to a rate-regulated subsidiary of the Service Company, parties shall charge for services on the following basis:

Services provided to a rate-regulated subsidiary of Service Company by another party shall be charged by the providing

party to the receiving party at: (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 (determined as provided in the CAM) incurred by the providing party in providing such service to the receiving party.

SCHEDULE III

LUC¹ (“Provider” or “Service Company”) and Affiliates (“Receiving Companies”)

A. Holding Companies (according to Company response to Staff Data Request RWB 3.02 Attachment)

- 1) Algonquin Power & Utilities Corp. (APUC)
- 2) Algonquin Power Co. (each of its subsidiaries should be listed separately.)
- 3) Algonquin Holdco Inc.
- 4) Algonquin Power Fund (Canada) Inc.
- 5) Algonquin Power (America) Inc.
- 6) Algonquin Power Fund (America) Inc.
- 7) Algonquin Power Fund (America) Holdco Inc.
- 8) Oswego Power Company, Inc.
- 9) Oswego Energy Corp.
- 10) Court Street Investments, Inc.
- 11) CSI Oswego Corp.
- 12) Great Falls Energy, LLC
- 13) Liberty Utilities (Canada) Corp. (a Canadian Corporation)¹
- 14) Liberty Utilities (America) Co.
- 15) Liberty Utilities Co. (a Delaware Corporation)¹
- 16) Liberty Energy Utilities Co.¹
- 17) California Pacific Utilities Ventures, LLC

B. Public Utilities and Natural Gas Companies (entities B.3 through B.17 are Qualifying Facilities, as defined under Public Utility Reg. Policy Act of 1978) (according to Company response to Staff Data Request RWB 3.02 Attachment)

- 1) Algonquin Power Windsor Locks, LLC
- 2) California Pacific Electric Company
- 3) Burt Dam Power Company
- 4) Hollow Dam Power Company
- 5) Moretown Hydro Energy Company
- 6) Clement Dam Hydroelectric, LLC
- 7) HDI Associates I
- 8) Gregg Falls Hydroelectric Associates Limited Partnership
- 9) Mine Falls Limited Partnership
- 10) Great Falls Hydroelectric Company Limited Partnership
- 11) Lakeport Hydroelectric Corp.
- 12) Franklin Power
- 13) Oswego Hydro Partners LP
- 14) Tug Hill Energy, Inc.
- 15) Algonquin Power Sanger LLC
- 16) Algonquin Northern Maine Gen Co.
- 17) Algonquin Tinker Gen Co.

¹ This entity is a holding company as defined by FERC regulation 18 CFR section 366.1 (2011), according to the Company’s response to Staff Data Request RWB 3.02.

C. Service Companies (according to Company response to Staff Data Request RWB 3.02 Attachment)

Liberty Utilities (Canada) Corp. (a Canadian Corporation)¹
Liberty Energy Utilities (New Hampshire) Corp.
Algonquin Power Co.

D. Other Affiliates and Subsidiaries^{2,3}

Liberty Energy (Midstates) Corp.
CaliforniaPacific Electric Company, LLC
California Utility – (Each separate entity should be listed separately)
Liberty Water Co.
Algonquin Water Resources of Texas, LLC
Algonquin Water Resources of North Carolina, Inc.
Algonquin Water Resources of Missouri, LLC
Algonquin Water Resources of Illinois, LLC Inc.
Black Mountain Sewer Corporation
Algonquin Environmental Services LLC
Bella Vista Water Co. Inc.
Rio Rico Utilities Inc.
Tall Timbers Utility Company, Inc.
Entrada Del Oro Sewer Company
Northwest Sewer Inc.
Litchfield Park Service Company
Northern Sunrise Water Company, Inc.
Southern Sunrise Water Company, Inc.
Woodmark Utilities, Inc.
Gold Canyon Sewer Company

² According to the Company's response to Staff Data Request RWB 3.02 (Attachment), a copy of the APUC Form FERC-65 Notification of Holding Company Status, the APUC corporate family includes numerous affiliates and subsidiaries that are not identified in the Form FERC-65 Notification of Holding Company Status because they are not relevant to the Algonquin family of holding companies' status as a holding company, and it would be unduly burdensome and not relevant to include them in the Form FERC-65 Notification of Holding Company Status.

³ The listed entities in Section D. have been abstracted by Staff witness Pearce from the organization chart included in the JA petition (Joint Applicants' Ex. D).

AFFILIATE SERVICES AGREEMENT – Liberty DEL

This Affiliate Services Agreement (this “Agreement”) is entered into as of the ____ day of _____, 2014~~2~~, by and between Liberty Utilities Co., a Delaware corporation (“Liberty DEL”) and ~~Algonquin Power & Utilities Corp. (“APUC”), a Canadian Corporation; Liberty Utilities (Canada) Corp. (“Liberty Utilities CA”), a Canadian Corporation; Liberty Utilities Co., a Delaware Company; and Liberty Energy Utilities (New Hampshire) Corp. (“Liberty NH”)~~ (the “Service Companies”), which ~~are companies~~ company is engaged, in part, in the rendering of services to ~~companies in the APUC holding company system, and and Liberty Energy Utilities (New Hampshire) Corp. (“Liberty NH”) and Liberty Energy (Midstates) Corp. (“Midstates”); (the “Receiving Company” or “Receiving Companies”)~~, (all parties to this Agreement as identified on Schedule III otherwise collectively referred to as the “parties” or individually referred to as a “party”).

WHEREAS, the organization, conduct of business and method of cost allocation of the Service Company is ~~Companies are~~ designed to result in the performance of services and the provision of goods economically and efficiently for the benefit of the Receiving Companies at costs which are fairly and equitably allocated.

THEREFORE, the parties further agree as follows:

Section 1 – Provision of Services

Section 1.1 *Consultants* The Service Companies ~~has~~ and will maintain a staff trained and experienced in the provision of services of a general and administrative nature. In addition to the services of their own staff, the Service Companies ~~will~~, from time to time, arrange for services of non-affiliated experts, consultants, accountants and attorneys.

~~Section 1.2 *Algonquin Power & Utilities Corp.* APUC agrees to provide and Receiving Company agrees to accept 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 the Liberty Utilities Co. to provide utility services 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. APUC will also furnish, if available, such additional services as the Receiving Company may request, including but not limited to the services detailed or described in the “Algonquin Power & Utilities Corp. Direct Charge and Cost Allocations Manual” attached as Schedule I.~~

~~Section 1.3 *Liberty Utilities (Canada) Corp.* Liberty Utilities CA agrees to~~

~~provide and Receiving Company agrees to accept the following types of services (including similar services) upon the terms and conditions set forth herein: (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) assistance in emergency maintenance and restoration of utility service and in mobilization of personnel and equipment; (iv) development of human resource policies and procedures; (v) selection of information systems and equipment for accounting, engineering, administration, customer service, emergency restoration and other functions and implementation thereof; (vi) development, placement and administration of insurance coverages and employee benefit programs, including group insurance and retirement annuities, property inspections and valuations for insurance; (vii) purchasing services including preparation and analysis of product specifications, requests for proposals and similar solicitations; and vendor and vendor product evaluations; (viii) energy procurement oversight and load forecasting; and (ix) development of regulatory strategy. Liberty Utilities CA will also furnish, if available, such additional services as the Receiving Company may request, including the services detailed or described in the "Algonquin Power & Utilities Corp. Direct Charge and Cost Allocations Manual" attached as Schedule I.~~

Section 1.42 *Liberty Utilities Co.* Liberty Utilities Co. agrees to provide and Receiving Companies agrees to accept financing including guarantees, short-term loans, and long-term capital debt financing on terms and conditions that the parties memorialize in a written agreement or agreements, which are separately subject to any federal or state law or any rule, regulation or order of a federal or state regulatory body having jurisdiction, including the approval of any federal or state regulatory body that is a legal prerequisite to the execution and performance of the agreement(s).

~~Section 1.5 — *Liberty Energy Utilities (New Hampshire) Corp.* — Liberty NH agrees to provide and Receiving Company agrees to accept gas procurement and gas control services.~~

Section 2 – Records and Charges

Section 2.1 *Records* All services rendered under this Agreement will be provided at actual cost thereof. Records will be maintained for each department and division of the Service Companies in order to accumulate all costs of doing business and to determine the cost of service. These costs will include wages and salaries of employees and related expenses such as insurance, taxes, pensions and other employee welfare expenses, and rent, light, heat, telephone, supplies, and other housekeeping costs. In addition, records will be maintained of general administrative expenses, which will include the costs of operating the Service Companies as corporate entities.

Each party shall maintain adequate books and records with respect to the

transactions subject to this Agreement. Each party shall be responsible for maintaining internal controls to ensure the costs associated with transactions covered by the Agreement are properly and consistently allocated and billed in accordance with the terms and provisions of this Agreement.

Section 2.2 *Charges* Charges for services rendered and related expenses will be charged according to the procedures set forth in the Cost Allocation Manual attached hereto as Schedule I, except those services covered by Schedule II, the Illinois Rider, in which case the charges shall be based on the provisions set forth therein.

Section 3 - Term

Section 3.1 *Term* The effective date of this Agreement shall be the date noted above and shall continue unless terminated by either the Receiving Company or the Service Companies giving thirty days' written notice to the other of such termination at the end of any month. Any such termination shall not affect the terminating party's accrued rights and obligations under this Agreement arising prior to the effective date of termination. This Agreement shall not be amended except by a written instrument signed by an authorized representative of each of the parties hereto.

Section 4 – Confidential Information

Section 4.1 *Confidential Information* Each party shall treat in confidence all information that it shall have obtained regarding the other parties and their respective businesses during the course of the performance of this Agreement. Such information shall not be communicated to any person other than the parties to this Agreement, except to the extent disclosure of such information is required by a governmental authority. If a party is required to disclose confidential information to a governmental authority, such party shall take reasonable steps to make such disclosure confidential under the rules of such governmental authority. Information provided hereunder shall remain the sole property of the party providing such information. The obligation of a party to treat such information in confidence shall not apply to any information which (i) is or becomes available to such party from a source other than the party providing such information, or (ii) is or becomes available to the public other than as a result of disclosure by such party or its agents.

Section 5 – Miscellaneous

Section 5.1 *Rider* Any state specific terms and/or conditions and/or services are specified in Schedule II to this Agreement.

Section 5.2 *Compliance with Governing Law* This Agreement will be subject to termination or modification at any time to the extent its performance may conflict with any federal or state law or any rule, regulation or order of a federal or state regulatory body having jurisdiction. This Agreement shall be subject to approval of any federal or

state regulatory body whose approval is a legal prerequisite to its execution and performance. Cost allocations and the methods of allocation provided herein may also be subject to the jurisdiction of the Federal Energy Regulatory Commission (“FERC”) under Section 1275 of the Energy Policy Act of 2005 and the rules promulgated thereunder and, to the extent applicable, FERC determinations regarding the allocation of costs shall be dispositive. Any number of counterparts of this Agreement may be executed, and each shall have the same force and effect as an original instrument, as if all parties to all counterparts had signed the same instrument.

Section 5.3 *Limitation of Liability* Each party acknowledges and agrees that any services provided by the Service Companies hereunder are so provided WITHOUT ANY WARRANTY (WHETHER EXPRESS, IMPLIED OR STATUTORY AND NOTWITHSTANDING ANY ORAL OR WRITTEN STATEMENT BY A PARTY’S EMPLOYEES, REPRESENTATIVES OR AGENTS TO THE CONTRARY) WHATSOEVER. ALL SUCH WARRANTIES INCLUDING, WITHOUT LIMITATION, THE WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE) ARE HEREBY DISCLAIMED AND EXCLUDED.

Section 5.4 *Exclusive Benefit* This Agreement is intended for the exclusive benefit of the parties hereto and is not intended and shall not be deemed or construed, to create any rights in, or responsibilities to, third parties.

Section 5.5 *Assignment* This Agreement may not be assigned by any party without the prior written consent of all parties.

Section 5.6 *Severability* Wherever possible, each provision hereof shall be interpreted in such manner as to be effective and valid under applicable law, but in case any one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such provision shall be ineffective to the extent, but only to the extent, of such invalidity, illegality or enforceable provision or provisions or any other provisions hereof, unless such a construction would be unreasonable.

Section 5.7 *Waiver* Failure by any party to insist upon strict performance of any term or condition herein shall not be deemed a waiver of any rights or remedies that such party may have against any other party nor in any way affect the validity of this Agreement or any part hereof or the right of such party thereafter to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to constitute a waiver of any other subsequent breach.

Section 5.8 *Entirety* This Agreement including Schedules I, ~~and II,~~ and III attached hereto constitute the entire Agreement between the parties pertaining to the subject matter hereof and supersedes all prior Agreements, understandings, negotiations and discussions, whether oral or written between the parties with respect to the subject matter hereof. In the event of a conflict or inconsistency between the terms of this Agreement and Schedules I and II, Schedules I and II shall prevail.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the date first above mentioned.

~~ALOGONQUIN POWER AND UTILITIES CORP.~~

By: _____
Name:
Title:

~~LIBERTY UTILITIES (CANADA) CORP.~~

By: _____
Name;
Title:

LIBERTY UTILITIES CO.

By: _____
Name:
Title:

LIBERTY ENERGY UTILITIES (NEW HAMPSHIRE) CORP.

By: _____
Name:
Title:

LIBERTY ENERGY (MIDSTATES) CORP.

By: _____
Name:
Title:

SCHEDULE I

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

[Remainder of page left intentionally blank.]

SCHEDULE II

ILLINOIS RIDER

This Rider is attached to and hereby made a part of the _____, 2014~~2~~ Affiliate Services Agreement (“Agreement” or “ASA”) by and between Liberty Utilities Co., a Delaware Company (“Provider” or “Service Company”); ~~Algonquin Power & Utilities Corp. (“APUC”), a Canadian Corporation; Liberty Utilities (Canada) Corp. (“LUC”), a Canadian Corporation; Liberty Utilities Co., a Delaware Company; and Liberty Energy Utilities (New Hampshire) Corp. (“Liberty NH”), a Delaware Company (collectively the “Service Companies”)~~ and Liberty Energy (Midstates) Corp. (“Midstates”), a Missouri Company (the “Receiving Companies”).

A. Applicability of ASA and ICC Review and Notification

1. This agreement is intended to cover all transactions between the Receiving Companies and the Service Company for which Illinois Commerce Commission (“ICC”) approval is or may be required, other than such transactions that are the subject of separate arrangements or agreements that are part of a competitive process under Administrative Code parts 310.60 and 310.70 (or any successor code parts or other laws) or that the Parties explicitly state are not subject to this Agreement. These provisions shall be limited in their application to transactions that affect Midstates costs subject to the regulatory oversight of the Illinois Commerce Commission (“ICC”) and shall remain in effect until otherwise ordered by the ICC. ~~This Agreement does not govern transactions between the Receiving Company and the Service Companies that do not relate to the Receiving Company’s Illinois jurisdiction, or transactions that are not required to be approved by the ICC.~~ This Agreement should be construed so as to comply with all applicable law, including the Illinois Public Utilities Act. This Agreement shall be interpreted in accordance with such purposes and intent.
2. Any request for services from the Receiving Companies to the Service Company will be available for review by the ICC.
3. The Receiving Companies will notify the ICC within thirty days of any termination by means of an information filing with the Chief Clerk of the ICC and a copy of the information filing shall be sent to the Manager of Accounting of the ICC.
4. ICC approval notification is required for the addition of any new parties that are Receiving Companies to this Agreement. ICC approval is required for the addition of any new service company to this Agreement.
5. During the term of the Agreement and for a period of seven years after its expiration or termination as to a Service Company, the ICC shall have access to

such Records of the Service Company as they relate to transactions between such party and the Receiving Company's Illinois operation to the extent allowed under Section 7-101 of the Public Utilities Act (220 ILCS 5/7-101) and subject to Section 5-108 of the Illinois Public Utilities Act.

6. The ASA shall be construed to apply to both services and facilities.
7. An internal audit of charges covered by the ASA during the preceding calendar year shall be provided to the Accounting Department Manager no later than July 1 of each calendar year. The first such report shall cover the first calendar year beginning after the year in which the proposed transaction closes. The internal audit report shall reflect the results of an internal audit that tests compliance with the processes outlined in the ASA. The internal audit shall also include a review of the allocation factors and the calculation of each to verify that they are updated and calculated in accordance with the ASA.
8. A study of the cost of services provided under the ASA shall be performed every three years, with the first study to cover the initial three year period commencing after the year in which the proposed transaction closes. A report on the cost of services study shall be provided to the Accounting Department Manager no later than July 1 of the year following the initial three-year period.
9. Liberty DEL shall file no later than May 1 annually a billing report on the ICC's e-Docket system in Docket No. 11-0559 with a copy to the ICC's Accounting Department Manager and to the Office of the Chief Clerk of the ICC. The billing report shall summarize the monthly charges to Midstates from affiliated service companies under the ASA.

B. The following bases for charges shall apply to transactions entered into pursuant to the ASA:

- i. Costs charged and allocated pursuant to the ASA shall include direct labor, direct materials, direct purchased services associated with the related asset or services, and overhead amounts.
- ii. Tariffed rates or other pricing mechanisms established by rate setting authorities shall be used to provide all regulated services.
- iii. Services not covered by (ii) or (iv) shall be charged by the providing party to the receiving party at fully distributed cost.
- iv. For facilities and administrative services rendered to a rate-regulated subsidiary of the Service Companies, parties shall charge for services on the following basis:

Services provided to a rate-regulated subsidiary of Service Companies by another party shall be charged by the providing party to the receiving party at: (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 (determined as provided in the CAM) incurred by the providing party in providing such service to the receiving party.

SCHEDULE III
Liberty Utilities Co. (a Delaware corporation)¹ (“Provider” or “Service Company”)
and Subsidiaries (“Receiving Companies”)

- 1) Liberty Utilities Co. (a Delaware Corporation)¹
- 2) Liberty Energy Utilities (New Hampshire) Corp.
- 3) Liberty Energy (Midstates) Corp.

¹ This entity is a holding company as defined by FERC regulation 18 CFR section 366.1 (2011), according to the Company’s response to Staff Data Request RWB 3.02.

AFFILIATE SERVICES AGREEMENT – Liberty NH

This Affiliate Services Agreement (this “Agreement”) is entered into as of the ____ day of _____, 2014~~2~~, by and between Liberty Energy Utilities (New Hampshire) Corp. (“Liberty NH”) ~~Algonquin Power & Utilities Corp. (“APUC”), a Canadian Corporation; Liberty Utilities (Canada) Corp. (“Liberty Utilities CA”), a Canadian Corporation; Liberty Utilities Co., a Delaware Company; and Liberty Energy Utilities (New Hampshire) Corp. (“Liberty NH”)~~ (the “Service Companies”), which ~~are companies~~ company is engaged, in part, in the rendering of services to ~~companies in the APUC holding company system, and Liberty Energy (Midstates) Corp., (“Midstates”) (the “Receiving Company” or “Receiving Company”),~~ (all both parties to this Agreement as identified on Schedule III otherwise collectively referred to as the “parties” or individually referred to as a “party”).

WHEREAS, the organization, conduct of business and method of cost allocation of the Service Company is ~~Companies are~~ designed to result in the performance of services and the provision of goods economically and efficiently for the benefit of the Receiving Company at costs which are fairly and equitably allocated.

THEREFORE, the parties further agree as follows:

Section 1 – Provision of Services

Section 1.1 *Consultants* The Service Companies ~~has~~ have and will maintain a staff trained and experienced in the provision of gas procurement services. ~~of a general and administrative nature. In addition to the services of their own staff, the Service Companies will, from time to time, arrange for services of non-affiliated experts, consultants, accountants and attorneys.~~

Section 1.2 *Algonquin Power & Utilities Corp.* ~~APUC agrees to provide and Receiving Companies agrees to accept 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 the Liberty Utilities Co. to provide utility services 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. APUC will also furnish, if available, such additional services as the Receiving Company may request, including but not limited to the services detailed or described in the “Algonquin Power & Utilities Corp. Direct Charge and Cost Allocations Manual” attached as Schedule I.~~

Section 1.3 *Liberty Utilities (Canada) Corp.* ~~Liberty Utilities CA agrees to provide and Receiving Company agrees to accept the following types of services~~

~~(including similar services) upon the terms and conditions set forth herein: (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) assistance in emergency maintenance and restoration of utility service and in mobilization of personnel and equipment; (iv) development of human resource policies and procedures; (v) selection of information systems and equipment for accounting, engineering, administration, customer service, emergency restoration and other functions and implementation thereof; (vi) development, placement and administration of insurance coverages and employee benefit programs, including group insurance and retirement annuities, property inspections and valuations for insurance; (vii) purchasing services including preparation and analysis of product specifications, requests for proposals and similar solicitations; and vendor and vendor product evaluations; (viii) energy procurement oversight and load forecasting; and (ix) development of regulatory strategy. Liberty Utilities CA will also furnish, if available, such additional services as the Receiving Company may request, including the services detailed or described in the "Algonquin Power & Utilities Corp. Direct Charge and Cost Allocations Manual" attached as Schedule I.~~

Liberty Utilities CA provides information technology and some human resource services to APCo and APUC. These costs are directly charged to APCo and APUC.

~~Section 1.4 *Liberty Utilities Co.* Liberty Utilities Co. agrees to provide and Receiving Company agrees to accept financing including guarantees, short term loans, and long term capital debt financing on terms and conditions that the parties memorialize in a written agreement or agreements, which are separately subject to any federal or state law or any rule, regulation or order of a federal or state regulatory body having jurisdiction, including the approval of any federal or state regulatory body that is a legal prerequisite to the execution and performance of the agreement(s).~~

~~Section 1.5 — *Liberty Energy Utilities (New Hampshire) Corp.* Liberty NH agrees to provide and Receiving Company Liberty Midstates agrees to accept gas procurement and gas control services.~~

Section 2 – Records and Charges

Section 2.1 *Records* All services rendered under this Agreement will be provided at actual cost thereof. Records will be maintained for each department and division of the Service Companies in order to accumulate all costs of doing business and to determine the cost of service. These costs will include wages and salaries of employees and related expenses such as insurance, taxes, pensions and other employee welfare expenses, and rent, light, heat, telephone, supplies, and other housekeeping costs. In addition, records will be maintained of general administrative expenses, which will include the costs of operating the Service Companies as corporate entities.

Each party shall maintain adequate books and records with respect to the transactions subject to this Agreement. Each party shall be responsible for maintaining internal controls to ensure the costs associated with transactions covered by the Agreement are properly and consistently allocated and billed in accordance with the terms and provisions of this Agreement.

Section 2.2 *Charges* Charges for services rendered and related expenses will be charged according to the procedures set forth in the Cost Allocation Manual attached hereto as Schedule I, except those services covered by Schedule II, the Illinois Rider, in which case the charges shall be based on the provisions set forth therein.

Section 3 - Term

Section 3.1 *Term* The effective date of this Agreement shall be the date noted above and shall continue unless terminated by either the Receiving Company or the Service Companies giving thirty days' written notice to the other of such termination at the end of any month. Any such termination shall not affect the terminating party's accrued rights and obligations under this Agreement arising prior to the effective date of termination. This Agreement shall not be amended except by a written instrument signed by an authorized representative of each of the parties hereto.

Section 4 – Confidential Information

Section 4.1 *Confidential Information* Each party shall treat in confidence all information that it shall have obtained regarding the other parties and their respective businesses during the course of the performance of this Agreement. Such information shall not be communicated to any person other than the parties to this Agreement, except to the extent disclosure of such information is required by a governmental authority. If a party is required to disclose confidential information to a governmental authority, such party shall take reasonable steps to make such disclosure confidential under the rules of such governmental authority. Information provided hereunder shall remain the sole property of the party providing such information. The obligation of a party to treat such information in confidence shall not apply to any information which (i) is or becomes available to such party from a source other than the party providing such information, or (ii) is or becomes available to the public other than as a result of disclosure by such party or its agents.

Section 5 – Miscellaneous

Section 5.1 *Rider* Any state specific terms and/or conditions and/or services are specified in Schedule II to this Agreement.

Section 5.2 *Compliance with Governing Law* This Agreement will be subject to termination or modification at any time to the extent its performance may conflict with

any federal or state law or any rule, regulation or order of a federal or state regulatory body having jurisdiction. This Agreement shall be subject to approval of any federal or state regulatory body whose approval is a legal prerequisite to its execution and performance. Cost allocations and the methods of allocation provided herein may also be subject to the jurisdiction of the Federal Energy Regulatory Commission (“FERC”) under Section 1275 of the Energy Policy Act of 2005 and the rules promulgated thereunder and, to the extent applicable, FERC determinations regarding the allocation of costs shall be dispositive. Any number of counterparts of this Agreement may be executed, and each shall have the same force and effect as an original instrument, as if all parties to all counterparts had signed the same instrument.

Section 5.3 *Limitation of Liability* Each party acknowledges and agrees that any services provided by the Service Companies hereunder are so provided WITHOUT ANY WARRANTY (WHETHER EXPRESS, IMPLIED OR STATUTORY AND NOTWITHSTANDING ANY ORAL OR WRITTEN STATEMENT BY A PARTY’S EMPLOYEES, REPRESENTATIVES OR AGENTS TO THE CONTRARY) WHATSOEVER. ALL SUCH WARRANTIES INCLUDING, WITHOUT LIMITATION, THE WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE) ARE HEREBY DISCLAIMED AND EXCLUDED.

Section 5.4 *Exclusive Benefit* This Agreement is intended for the exclusive benefit of the parties hereto and is not intended and shall not be deemed or construed, to create any rights in, or responsibilities to, third parties.

Section 5.5 *Assignment* This Agreement may not be assigned by any party without the prior written consent of all parties.

Section 5.6 *Severability* Wherever possible, each provision hereof shall be interpreted in such manner as to be effective and valid under applicable law, but in case any one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such provision shall be ineffective to the extent, but only to the extent, of such invalidity, illegality or unenforceable provision or provisions or any other provisions hereof, unless such a construction would be unreasonable.

Section 5.7 *Waiver* Failure by any party to insist upon strict performance of any term or condition herein shall not be deemed a waiver of any rights or remedies that such party may have against any other party nor in any way affect the validity of this Agreement or any part hereof or the right of such party thereafter to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to constitute a waiver of any other subsequent breach.

Section 5.8 *Entirety* This Agreement including Schedules I, ~~and II,~~ and III attached hereto constitute the entire Agreement between the parties pertaining to the subject matter hereof and supersedes all prior Agreements, understandings, negotiations and discussions, whether oral or written between the parties with respect to the subject matter hereof. In the event of a conflict or inconsistency between the terms of this

Agreement and Schedules I and II, Schedules I and II shall prevail.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the date first above mentioned.

~~ALOGONQUIN POWER AND UTILITIES CORP.~~

By: _____
Name:
Title:

~~LIBERTY UTILITIES (CANADA) CORP.~~

By: _____
Name:
Title:

~~LIBERTY UTILITIES CO.~~

By: _____
Name:
Title:

LIBERTY ENERGY UTILITIES (NEW HAMPSHIRE) CORP.

By: _____
Name:
Title:

LIBERTY ENERGY (MIDSTATES) CORP.

By: _____
Name:
Title:

SCHEDULE I

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

[Remainder of page left intentionally blank.]

SCHEDULE II

ILLINOIS RIDER

This Rider is attached to and hereby made a part of the _____, 2014~~2~~ Affiliate Services Agreement (“Agreement” or “ASA”) by and between ~~Algonquin Power & Utilities Corp. (“APUC”), a Canadian Corporation; Liberty Utilities (Canada) Corp. (“Liberty Utilities CA”), a Canadian Corporation; Liberty Utilities Co., a Delaware Company; and Liberty Energy Utilities (New Hampshire) Corp. (“Liberty NH”), a Delaware Company (collectively the “Service Companies”)~~ and Liberty Energy (Midstates) Corp., a Missouri Company (the “Receiving Company”).

A. Applicability of ASA and ICC Review and Notification

1. This agreement is intended to cover all transactions between the Receiving Company and the Service Company for which Illinois Commerce Commission (“ICC”) approval is or may be required, other than such transactions that are the subject of separate arrangements or agreements that are part of a competitive process under Administrative Code parts 310.60 and 310.70 (or any successor code parts or other laws) or that the Parties explicitly state are not subject to this Agreement. These provisions shall be limited in their application to transactions that affect Midstates costs subject to the regulatory oversight of the Illinois Commerce Commission (“ICC”) and shall remain in effect until otherwise ordered by the ICC. ~~This Agreement does not govern transactions between the Receiving Company and the Service Companies that do not relate to the Receiving Company’s Illinois jurisdiction, or transactions that are not required to be approved by the ICC.~~ This Agreement should be construed so as to comply with all applicable law, including the Illinois Public Utilities Act. This Agreement shall be interpreted in accordance with such purposes and intent.
2. Any request for services from the Receiving Company to the Service Companies will be available for review by the ICC.
3. The Receiving Company will notify the ICC within thirty days of any termination by means of an information filing with the Chief Clerk of the ICC and a copy of the information filing shall be sent to the Manager of Accounting of the ICC.
4. ICC approval notification is required for the addition of any new parties that are Receiving Companies to this Agreement. ICC approval is required for the addition of any new service companies to this Agreement.
5. During the term of the Agreement and for a period of seven years after its expiration or termination as to a Service Company, the ICC shall have access to such Records of the Service Company as they relate to transactions between

such party and the Receiving Company's Illinois operation to the extent allowed under Section 7-101 of the Public Utilities Act (220 ILCS 5/7-101) and subject to Section 5-108 of the Illinois Public Utilities Act.

6. The ASA shall be construed to apply to both services and facilities.
7. An internal audit of charges covered by the ASA during the preceding calendar year shall be provided to the Accounting Department Manager no later than July 1 of each calendar year. The first such report shall cover the first calendar year beginning after the year in which the proposed transaction closes. The internal audit report shall reflect the results of an internal audit that tests compliance with the processes outlined in the ASA. The internal audit shall also include a review of the allocation factors and the calculation of each to verify that they are updated and calculated in accordance with the ASA.
8. A study of the cost of services provided under the ASA shall be performed every three years, with the first study to cover the initial three year period commencing after the year in which the proposed transaction closes. A report on the cost of services study shall be provided to the Accounting Department Manager no later than July 1 of the year following the initial three-year period.
9. Liberty NH shall file no later than May 1 annually a billing report on the ICC's e-Docket system in Docket No. 11-0559 with a copy to the ICC's Accounting Department Manager and to the Office of the Chief Clerk of the ICC. The billing report shall summarize the monthly charges to Midstates from affiliated service companies under the ASA.

B. The following bases for charges shall apply to transactions entered into pursuant to the ASA:

- i. Costs charged and allocated pursuant to the ASA shall include direct labor, direct materials, direct purchased services associated with the related asset or services, and overhead amounts.
- ii. Tariffed rates or other pricing mechanisms established by rate setting authorities shall be used to provide all regulated services.
- iii. Services not covered by (ii) or (iv) shall be charged by the providing party to the receiving party at fully distributed cost.
- iv. For facilities and administrative services rendered to a rate-regulated subsidiary of the Service Company, parties shall charge for services on the following basis:

Services provided to a rate-regulated subsidiary of Service Companies by another party shall be charged by the providing party to the receiving party at: (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 (determined as provided in the CAM) incurred by the providing party in providing such service to the receiving party.

SCHEDULE III
Liberty New Hampshire¹ and Affiliates (“Receiving Companies”)

Liberty Energy Utilities (New Hampshire) Corp.

Liberty Energy (Midstates) Corp.

AFFILIATE SERVICES AGREEMENT - APCO

This Affiliate Services Agreement (this “Agreement”) is entered into as of the ___ day of _____, 2014~~2~~, by and between Algonquin Power Company (“APCO”) ~~Algonquin Power & Utilities Corp. (“APUC”), a Canadian Corporation; Liberty Utilities (Canada) Corp. (“Liberty Utilities CA”), a Canadian Corporation; Liberty Utilities Co., a Delaware Company; and Liberty Energy Utilities (New Hampshire) Corp. (“Liberty NH”)~~ (the “Service Companies”), which ~~are companies~~ company is engaged, in part, in the rendering of services to companies in the APUC holding company system, and Liberty Utilities (Canada) Corp. (“LUC”), a Canadian Corporation; Liberty Energy (Midstates) Corp.; ~~(the “Receiving Company” or “Receiving Company”)~~, (all parties to this Agreement as identified on Schedule III otherwise collectively referred to as the “parties” or individually referred to as a “party”).

WHEREAS, the organization, conduct of business and method of cost allocation of the Service Company is ~~Companies are~~ designed to result in the performance of services and the provision of goods economically and efficiently for the benefit of the Receiving Company at costs which are fairly and equitably allocated.

THEREFORE, the parties further agree as follows:

Section 1 – Provision of Services

Section 1.1 *Consultants* The Service Company has and will maintain a staff trained and experienced in the provision of services of a general and administrative nature. In addition to the services of their own staff, the Service Company will, from time to time, arrange for services of non-affiliated experts, consultants, accountants and attorneys.

~~Section 1.2 *Algonquin Power & Utilities Corp.* APUC agrees to provide and Receiving Companies agrees to accept 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 the Liberty Utilities Co. to provide utility services 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 APUC will also furnish, if available, such additional services as the Receiving Company may request, including but not limited to the services detailed or described in the “Algonquin Power & Utilities Corp. Direct Charge and Cost Allocations Manual” attached as Schedule I.~~

~~Section 1.32 *Liberty Utilities (Canada) Corp.* Liberty Utilities CA agrees to provide and Receiving Companies agrees to accept the following types of services (including similar services) upon the terms and conditions set forth herein: (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) assistance in emergency maintenance and restoration of utility service and in mobilization of personnel and equipment; (iv) development of human resource policies and procedures; (v) selection of information systems and equipment for accounting, engineering, administration, customer service, emergency restoration and other functions and implementation thereof; (vi) development, placement and administration of insurance coverages and employee benefit programs, including group insurance and retirement annuities, property inspections and valuations for insurance; (vii) purchasing services including preparation and analysis of product specifications, requests for proposals and similar solicitations; and vendor and vendor product evaluations; (viii) energy procurement oversight and load forecasting; and (ix) development of regulatory strategy. Liberty Utilities CA will also furnish, if available, such additional services as the Receiving Company may request, including the services detailed or described in the "Algonquin Power & Utilities Corp. Direct Charge and Cost Allocations Manual" attached as Schedule I.~~

From time to time, APCO may provide engineering and technical labor to LUC. These costs are directly charged to LUC where possible. Costs that benefit multiple recipients shall be pooled and allocated on the basis of a two-factor formula. Under this approach, each such Party is allocated and billed for a portion of the pooled costs based on an average of such Party's gross payroll and total asset amounts relative to the corresponding averages for the other Parties. The two-factor formula shall be calculated annually following the cost of books for the year and applied to the following year's pooled costs.

~~Section 1.4 — *Liberty Utilities Co.* Liberty Utilities Co. agrees to provide and Receiving Company agrees to accept financing including guarantees, short term loans, and long term capital debt financing on terms and conditions that the parties memorialize in a written agreement or agreements, which are separately subject to any federal or state law or any rule, regulation or order of a federal or state regulatory body having jurisdiction, including the approval of any federal or state regulatory body that is a legal prerequisite to the execution and performance of the agreement(s).~~

~~Section 1.5 — *Liberty Energy Utilities (New Hampshire) Corp.* Liberty NH agrees to provide and Receiving Company agrees to accept gas procurement and gas control services.~~

Section 2 – Records and Charges

Section 2.1 *Records* All services rendered under this Agreement will be provided at actual cost thereof. Records will be maintained for each department and division of the Service Companies in order to accumulate all costs of doing business and

to determine the cost of service. These costs will include wages and salaries of employees and related expenses such as insurance, taxes, pensions and other employee welfare expenses, and rent, light, heat, telephone, supplies, and other housekeeping costs. In addition, records will be maintained of general administrative expenses, which will include the costs of operating the Service Companies as corporate entities.

Each party shall maintain adequate books and records with respect to the transactions subject to this Agreement. Each party shall be responsible for maintaining internal controls to ensure the costs associated with transactions covered by the Agreement are properly and consistently allocated and billed in accordance with the terms and provisions of this Agreement.

Section 2.2 *Charges* Charges for services rendered and related expenses will be charged according to the procedures set forth in the Cost Allocation Manual attached hereto as Schedule I, except those services covered by Schedule II, the Illinois Rider, in which case the charges shall be based on the provisions set forth therein.

Section 3 - Term

Section 3.1 *Term* The effective date of this Agreement shall be the date noted above and shall continue unless terminated by either the Receiving Company or the Service Companies giving thirty days' written notice to the other of such termination at the end of any month. Any such termination shall not affect the terminating party's accrued rights and obligations under this Agreement arising prior to the effective date of termination. This Agreement shall not be amended except by a written instrument signed by an authorized representative of each of the parties hereto.

Section 4 – Confidential Information

Section 4.1 *Confidential Information* Each party shall treat in confidence all information that it shall have obtained regarding the other parties and their respective businesses during the course of the performance of this Agreement. Such information shall not be communicated to any person other than the parties to this Agreement, except to the extent disclosure of such information is required by a governmental authority. If a party is required to disclose confidential information to a governmental authority, such party shall take reasonable steps to make such disclosure confidential under the rules of such governmental authority. Information provided hereunder shall remain the sole property of the party providing such information. The obligation of a party to treat such information in confidence shall not apply to any information which (i) is or becomes available to such party from a source other than the party providing such information, or (ii) is or becomes available to the public other than as a result of disclosure by such party or its agents.

Section 5 – Miscellaneous

Section 5.1 *Rider* Any state specific terms and/or conditions and/or services are specified in Schedule II to this Agreement.

Section 5.2 *Compliance with Governing Law* This Agreement will be subject to termination or modification at any time to the extent its performance may conflict with any federal or state law or any rule, regulation or order of a federal or state regulatory body having jurisdiction. This Agreement shall be subject to approval of any federal or state regulatory body whose approval is a legal prerequisite to its execution and performance. Cost allocations and the methods of allocation provided herein may also be subject to the jurisdiction of the Federal Energy Regulatory Commission ("FERC") under Section 1275 of the Energy Policy Act of 2005 and the rules promulgated thereunder and, to the extent applicable, FERC determinations regarding the allocation of costs shall be dispositive. Any number of counterparts of this Agreement may be executed, and each shall have the same force and effect as an original instrument, as if all parties to all counterparts had signed the same instrument.

Section 5.3 *Limitation of Liability* Each party acknowledges and agrees that any services provided by the Service Companies hereunder are so provided WITHOUT ANY WARRANTY (WHETHER EXPRESS, IMPLIED OR STATUTORY AND NOTWITHSTANDING ANY ORAL OR WRITTEN STATEMENT BY A PARTY'S EMPLOYEES, REPRESENTATIVES OR AGENTS TO THE CONTRARY) WHATSOEVER. ALL SUCH WARRANTIES INCLUDING, WITHOUT LIMITATION, THE WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE) ARE HEREBY DISCLAIMED AND EXCLUDED.

Section 5.4 *Exclusive Benefit* This Agreement is intended for the exclusive benefit of the parties hereto and is not intended and shall not be deemed or construed, to create any rights in, or responsibilities to, third parties.

Section 5.5 *Assignment* This Agreement may not be assigned by any party without the prior written consent of all parties.

Section 5.6 *Severability* Wherever possible, each provision hereof shall be interpreted in such manner as to be effective and valid under applicable law, but in case any one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such provision shall be ineffective to the extent, but only to the extent, of such invalidity, illegality or enforceable provision or provisions or any other provisions hereof, unless such a construction would be unreasonable.

Section 5.7 *Waiver* Failure by any party to insist upon strict performance of any term or condition herein shall not be deemed a waiver of any rights or remedies that such party may have against any other party nor in any way affect the validity of this Agreement or any part hereof or the right of such party thereafter to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to constitute a waiver of any other subsequent breach.

Section 5.8 *Entirety* This Agreement including Schedules I, ~~and II, and III~~ attached hereto constitute the entire Agreement between the parties pertaining to the subject matter hereof and supersedes all prior Agreements, understandings, negotiations and discussions, whether oral or written between the parties with respect to the subject matter hereof. In the event of a conflict or inconsistency between the terms of this Agreement and Schedules I and II, Schedules I and II shall prevail.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the date first above mentioned.

ALOGONQUIN POWER AND UTILITIES CORP.

By: _____
Name:
Title:

LIBERTY UTILITIES (CANADA) CORP.

By: _____
Name;
Title:

~~LIBERTY UTILITIES CO.~~

By: _____
~~Name:~~
~~Title:~~

~~LIBERTY ENERGY UTILITIES (NEW HAMPSHIRE) CORP.~~

By: _____
~~Name:~~
~~Title:~~

LIBERTY ENERGY (MIDSTATES) CORP.

By: _____

Name:

Title:

ALGONQUIN POWER COMPANY

By: _____

Name:

Title:

SCHEDULE I

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

[Remainder of page left intentionally blank.]

SCHEDULE II

ILLINOIS RIDER

This Rider is attached to and hereby made a part of the _____, 2014~~2~~ Affiliate Services Agreement (“Agreement” or “ASA”) by and between Algonquin Power Company (“APCO”), a Canadian Corporation (“Provider” or “Service Companies”); Algonquin Power & Utilities Corp. (“APUC”), a Canadian Corporation; and Liberty Utilities (Canada) Corp. (“Liberty Utilities CALUC”), a Canadian Corporation; Liberty Utilities Co., a Delaware Company; and Liberty Energy Utilities (New Hampshire) Corp. (“Liberty NH”), a Delaware Company; (collectively the “Service Companies”) and Liberty Energy (Midstates) Corp., a Missouri Company (“Midstates”); (the “Receiving Company”).

A. Applicability of ASA and ICC Review and Notification

1. This agreement is intended to cover all transactions between the Receiving Company and the Service Company for which Illinois Commerce Commission (“ICC”) approval is or may be required, other than such transactions that are the subject of separate arrangements or agreements that are part of a competitive process under Administrative Code parts 310.60 and 310.70 (or any successor code parts or other laws) or that the Parties explicitly state are not subject to this Agreement. These provisions shall be limited in their application to transactions that affect Midstates costs subject to the regulatory oversight of the Illinois Commerce Commission (“ICC”) and shall remain in effect until otherwise ordered by the ICC. ~~This Agreement does not govern transactions between the Receiving Company and the Service Companies that do not relate to the Receiving Company’s Illinois jurisdiction, or transactions that are not required to be approved by the ICC.~~ This Agreement should be construed so as to comply with all applicable law, including the Illinois Public Utilities Act. This Agreement shall be interpreted in accordance with such purposes and intent.
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5. During the term of the Agreement and for a period of seven years after its

expiration or termination as to a Service Company, the ICC shall have access to such Records of the Service Company as they relate to transactions between such party and the Receiving Company's Illinois operation to the extent allowed under Section 7-101 of the Public Utilities Act (220 ILCS 5/7-101) and subject to Section 5-108 of the Illinois Public Utilities Act.

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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 (determined as provided in the CAM) incurred by the providing party in providing such service to the receiving party.

SCHEDULE III

APCO¹ (“Provider” or “Service Company”) and Affiliates (“Receiving Companies”)

A. Holding Companies (according to Company response to Staff Data Request RWB 3.02 Attachment)

- 1) Algonquin Power Co.² (each of its subsidiaries should be listed separately.)
- 2) Liberty Utilities (Canada) Corp. (a Canadian Corporation)¹

¹ This entity is a holding company as defined by FERC regulation 18 CFR section 366.1 (2011), according to the Company’s response to Staff Data Request RWB 3.02.

² According to the Company’s response to Staff Data Request RWB 3.02 (Attachment), a copy of the APUC Form FERC-65 Notification of Holding Company Status, the APUC corporate family includes numerous affiliates and subsidiaries that are not identified in the Form FERC-65 Notification of Holding Company Status because they are not relevant to the Algonquin family of holding companies’ status as a holding company, and it would be unduly burdensome and not relevant to include them in the Form FERC-65 Notification of Holding Company Status.