

AFFILIATE SERVICES AGREEMENT – Liberty Utilities Service Corp.

This Affiliate Services Agreement (this “Agreement”) is entered into as of the ____ day of _____, 2014, by and between Liberty Utilities Service Corp., a Delaware corporation (the “Provider Company”), which company is engaged, in part, in the rendering of services to companies in the Algonquin Power & Utilities Corp. (“APUC”) holding company system, and Liberty Utilities (Midstates Natural Gas) Corp. (the “Receiving Company”), (all parties to this Agreement 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 Provider Company is 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 Provider 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 Provider Company will, from time to time, arrange for services of non-affiliated experts, consultants, accountants and attorneys.

Section 1.2 *Liberty Utilities Service Corp.* Liberty Utilities Service Corp. agrees to provide and Receiving Company agrees to accept the following types of services upon the terms and conditions set forth herein: accounting, human resources, information technology, rates and regulatory affairs, environment, health and safety, and security, customer service, legal, engineering and operations, procurement, gas procurement, gas control, and utility planning. The following are examples of those services: (i) plant accounting, accounts payable processing, general ledger accounting, monthly financial statement compilation, budgeting/forecasting, and financial regulatory reporting; (ii) employee relations, benefits administration, recruitment, Collective Agreement interpretation and negotiations, compensation management and Liberty policy and procedure communication and training; (iii) computer, handheld device, networking and connectivity support; (iv) perform regulatory and governmental outreach, rates filings, regulatory filings, provide regulatory leadership and advice to key stakeholders to ensure regulatory compliance; (v) ensure employees have received and have knowledge of the proper EHSS programs and procedures and are properly trained in order to safely comply with these programs, manage and maintain both internal and external reporting mechanisms as required by federal, state and local regulations, as well as company policies and procedures, and monitor environmental performance of utility operations; (vi) operating the walk-in centers as well as responding to customer phone call, process payments, customer billing, marketing, and customer communications; (vii) legal advice and review covering all aspects of utility operations; (viii) maintenance work planning,

responding to leaks, metering reading, pipeline replacement, service commencement and disconnection, oversight of capital projects and vendor management; (ix) all non-commodity procurement, *e.g.*, line locating services, janitorial services, office supplies; (x) load forecasting, hedging, gas commodity contracting, gas scheduling; and (xi) growth management. The intent of this Agreement is to allow Provider Company to provide any and all services necessary for Receiving Company to operate the utility in accordance with all statutes, regulations, rules, ordinances, codes, and similar acts or promulgations of any Governmental Body (“Laws”).

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 Provider Company in order to accumulate all costs of doing business and to determine the cost of service. In addition, records will be maintained of general administrative expenses, which will include the costs of operating the Provider Company as a corporate entity. Hourly rates for employees shall be fully loaded, *i.e.*, will include wages/salaries of employees and related expenses such as insurance, taxes, pensions and other employee welfare expenses. Employee costs not included within the fully loaded hourly rate, *e.g.*, a worker’s compensation claim, shall be charged to the utility that the employee is dedicated to or if such employee is shared among all utilities shall be allocated under the HR driver set forth below in Section 2.2.

Each party shall maintain adequate books and records with respect to the transactions subject to this Agreement 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 the rates of the Receiving Company. 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* Provider Company will direct charge Receiving Company. In instances where time sheeting may not be possible, the following allocation factors are to be used:

Type of Cost	Allocation Methodology	Rationale	Examples
Customer Care and Billing	Customer count 100%	Customer count accurately reflects the resource requirements of the Customer Care and Billing group	Customer Care and Billing employees and related administrations
IT/Tech Support	Number of Employees 100%	Technical support requirements are related to the number of employees	Tech support staff, associated administration, and required software, hardware, etc.
Human Resources	Number of Employees	HR function is driven by	HR policies, payroll

	100%	number of employees. A greater number of employees requires additional HR support	processing, benefits, employee surveys
Gas Control	Net Plant 100%	The greater the plant, the more control required	Gas Control labor, administration, and associated programs
Legal	Net Plant 33.3% Number of Employees 33.3% O&M 33.3%	Allocated based on the relative size of affiliate and employee count.	Employee labor and related administration and programs, including third party legal
Regulatory	Net Plant 33.3% Number of Employees 33.3% O&M 33.3%	Allocated based on the relative size of affiliate and employee count.	Utility-wide studies or third party costs beneficial to all utilities
Environment, Health, Safety and Security	Number of Employees 100%	EHSS training, etc. is directly proportional to the number of employees	Utility-wide programs, employee labor and related administration
Procurement	O&M 50% Capital Expenditures 50%	Based on typical proportion of expenditures	Utility-wide support and related administration

Please note the allocation methodology can be adjusted based on the number of participating utilities.

Costs charged and allocated pursuant to this Agreement shall include direct labor, direct materials, direct purchased services associated with the related asset or services, and overhead amounts.

- i. Tariffed rates or other pricing mechanisms established by rate setting authorities shall be used to provide all regulated services.
- ii. Services not covered by (i) shall be charged by the providing party to the receiving party at fully distributed cost.
- iii. Facilities and administrative services rendered to a rate-regulated subsidiary shall be charged on the following basis:

(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 incurred by the providing party in providing such service to the receiving party.

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 Provider Company 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 I 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 Provider Company 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 *Supremacy* In the event of a conflict or inconsistency between the terms of this Agreement and Schedule I, Schedule I shall prevail.

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

LIBERTY UTILITIES SERVICE CORP.

By: _____
Name:
Title:

LIBERTY UTILITIES (MIDSTATES NATURAL GAS) CORP.

By: _____
Name:
Title:

SCHEDULE I

ILLINOIS RIDER

This Rider is attached to and hereby made a part of the _____, 2013 Affiliate Services Agreement (“Agreement”) by and between Liberty Utilities Service Corp., a Delaware Company (“Provider Company”) and Liberty Utilities (Midstates Natural Gas) Corp., a Missouri Company (the “Receiving Company”).

1. This Agreement is intended to cover all transactions between the Receiving Company and the Provider 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. This Agreement shall be limited in its application to transactions that affect Liberty Utilities (Midstates Natural Gas) Corp.’s costs subject to the regulatory oversight of the ICC and shall remain in effect until otherwise ordered 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 Provider 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 notification is required for the addition of any new receiving companies to this Agreement. ICC approval is required for the addition of any new provider 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 Provider Company, the ICC shall have access to such Records of the Provider 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 the charges covered by the Agreement during the preceding calendar year shall be provided to the Accounting Department Manager no later than July 1 of each calendar year. The internal audit report shall reflect the

results of an internal audit that tests compliance with the processes outlined in the Agreement. 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 Agreement.

8. A study evaluating the correlation between cost causation factors and the cost allocation factors contained in this Agreement (“Cost Allocation Study”) shall be performed every three years. The first study will cover the initial three full calendar years post closing. A report on the Cost Allocation Study shall be provided to the Accounting Department Manager no later than July 1 of the year following the initial three-year period.
9. Receiving Company shall annually file, by May 1 of the following year 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 the Receiving Company from affiliated provider companies under the ASA.
10. Costs allocated pursuant to this Agreement shall be subject to ICC review based on the following standard: the Receiving Company must be able to demonstrate that such service or cost category is reasonable for the performance of its regulated operations, is not duplicative of administrative services already performed at the Receiving Company level, and is reasonable and prudent.