REDACTED

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities

DG 15-289
Petition for Approval of a Gas Franchise for Lebanon and Hanover, New Hampshire

Staff Data Requests - Set 2

Date Request Received: 10/21/15
Request No. Staff 2-3

Date of Response: 11/2/15
Respondent: William J. Clark

REQUEST:

Ref. Staff DR 1-1. Please explain how the break-even point was determined and provide supporting Excel schedules.

RESPONSE:

Pursuant to Puc 203.08, the Company has a good faith basis for seeking confidential treatment of information contained in this response. The Company will submit a motion for confidential treatment regarding this information at or before the commencement of the final hearing in this proceeding.

As stated in the response to Staff 1-1, revenue and break-even point are components of customer connections and yearly throughput. Staff 1-1 asked for estimated revenues and break-even. To answer this request as asked, Liberty utilized certain assumptions which are:

- Land acquisition costs of [redacted]
- Initial scalable LNG/CNG construction of between [redacted] million and [redacted] million
- Distribution system construction of approximately $6 million over the first two years
- An estimated revenue requirement of between 12% and 15% (to include return, taxes, depreciation and operating expenses)

These assumptions would result in an initial rate base of between [redacted] million and [redacted] million. This would result in an annual revenue requirement of between [redacted] and [redacted]. Another assumption utilized to answer DR 1-1 was the customer base would be made up of R-3, G-41 and G-42 accounts initially. Estimated customer charges would contribute approximately $250,518 annually (R-3 at 400, G-41 at 100 and G-42 at 50). Distribution rates for these accounts average approximately $3.20 per dth. After accounting for customer charges, the annual revenue requirement associated with distribution charges would need to be approximately [redacted] and [redacted]. Utilizing the average distribution charge of $3.20 per dth stated above and no CIAC payments from customers, break-even would occur between [redacted] and [redacted] dth.

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In the response to Staff 1-1, it was stated that break-even would occur between 200,000 and 400,000 ADTH. Those calculations included only the first year estimate of distribution system construction of $3 million.

Liberty firmly believes that a smaller scale facility with decreased infrastructure sizing and without any anchor customers is still economically feasible and would generate sufficient revenue to meet revenue requirements.

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Petition for Approval of a Gas Franchise for Lebanon and Hanover, New Hampshire

Staff Data Requests - Set 2

Date Request Received: 10/21/15
Request No. Staff 2-4

Date of Response: 11/2/15
Respondent: William J. Clark
Steven E. Mullen

REQUEST:

Ref. Staff DR 1-2. Please provide a revenue requirement (with supporting Excel schedules) based on expected plant investments (broken out by major cost categories, miles and diameter of mains, applicable depreciation rates and the CIBS rate of return), expected annual sales (ADTH), and estimated annual margins under the following scenarios:

a. Intial build out with no anchor customers
b. Kleen Laundry as the only anchor customer
c. Kleen and DHMC as anchor customers
d. Kleen, DHMC and Dartmouth College as anchor customers

RESPONSE:

a. Please see the response to Staff 2-3. This response shows that a smaller, scalable facility and distribution system is economic and can produce sufficient revenue to meet the revenue requirement without the three potential anchor tenants.

b.-d. Liberty intends to enter into special contracts with the three potential anchor customers. These special contracts will offer Liberty and its customers protections for the costs associated with the facility and distribution system construction required to serve them. The special contracts will also be designed to meet the revenue requirement for all incremental facilities needed to serve these customers. Two of these customers would be dual-fuel and Liberty envisions take-or-pay requirements as part of a special contract. Another factor would be how many days of peak capacity storage they would desire. Yet another factor would be the pressure requirements of these customers and the resulting impact on distribution pipe size. Liberty will be evaluating whether increased pipe size or a CNG pressure support at another location would be more economical. Until these design/engineering parameters are completed and terms of the special contracts negotiated, Liberty cannot provide a revenue requirement for scenarios b., c., and d. As these designs are finalized Liberty will share that data with Staff. All special contracts will also be filed with the PUC for approval before construction begins for dedicated facilities required to serve these customers.

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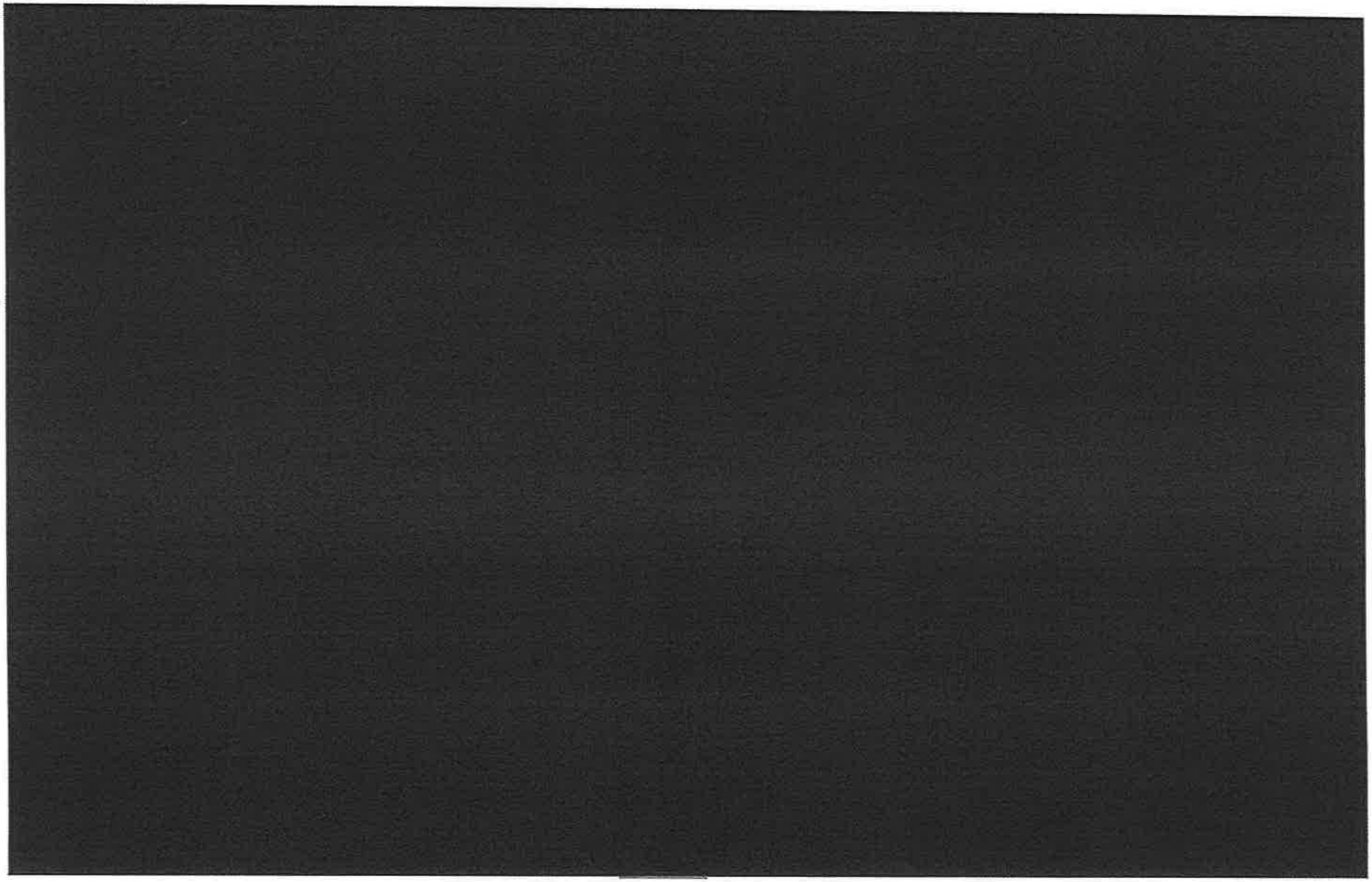

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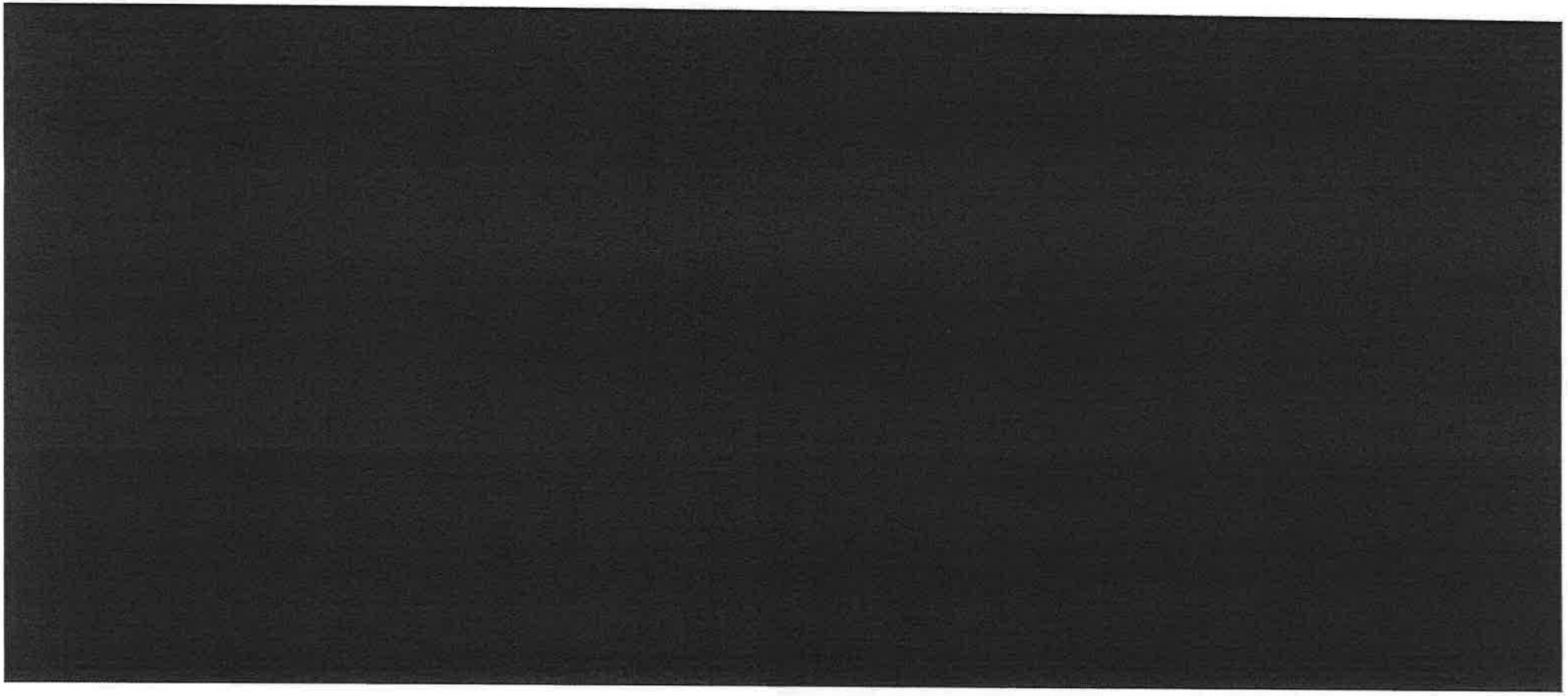

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Capital Investments

Low High

Land Acquisition
LNG/CNG construction
Distribution (direct)

Rate Base (low) (high)

Distribution Revenues

Customer Charges
Distribution charges p/dth

Hi/Lo Distributionthroughput
breakeven with no CIAC's

Natural Gas vs Other Fuels

- Safe
- Reliable
- Low cost
- Convenient

Current Heating Fuel Values - Updated September 9, 2015			
Fuel Type	**Price/Unit**	**Heat Content Per Unit (BTU)**	**Price Per Million BTU**
Fuel Oil (#2)	$2.23/Gallon	138,690	$16.05
Propane	$2.54/Gallon	91,333	$27.79
Kerosene	$3.07/Gallon	135,000	$22.75
Natural Gas 1st Tier (<20 Therms)	$0.78/Therm	100,000	$7.84
Natural Gas 2nd Tier (>20 Therms)	$0.72/Therm	100,000	$7.24
Wood (Bulk Delivered Pellets)	$251.38/Ton	16,500,000	$15.24
Wood (Cord)	$325/Cord	20,000,000	$16.25
Electricity	$0.14/kwh	3,412	$41.55

- Liquefied Natural Gas - $15.09
- Compressed Natural Gas - $12.25

Source: N.H. Office of Energy and Planning
http://www.nh.gov/oep/energy/energy-nh/fuel-prices/index.htm

Liberty Utilities

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