

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 18-137

**LIBERTY UTILITIES (ENERGYNORTH NATURAL GAS) CORP.
d/b/a LIBERTY UTILITIES**

2018/2019 Winter/Summer Cost of Gas Filing

Order Approving Cost of Gas Rates and Other Charges

ORDER NO. 26,188

November 1, 2018

APPEARANCES: Michael J. Sheehan, Esq., for Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities; the Office of the Consumer Advocate by D. Maurice Kreis, Esq., on behalf of residential ratepayers; Lynn Fabrizio, Esq., for the Staff of the Public Utilities Commission.

In this order, the Commission approves Liberty's proposed 2018/2019 winter and summer cost of gas rates. For residential customers, the initial rate for the winter period (November 1, 2018, through April 30, 2019) will be \$0.7411 per therm and the fixed-price option rate will be \$0.7611 per therm. The local delivery adjustment charge rate for residential customers will be \$0.0660 per therm from November 1, 2018, through October 31, 2019. The initial cost of gas rate for residential customers during the summer period (May 1 through October 31, 2019) will be \$0.4445 per therm. For the six months beginning November 1, a typical residential customer will see an average monthly bill of about \$159 compared to \$151 for last winter, and for the six months beginning May 1, 2019, an average monthly bill of \$40 compared to \$39 in summer 2018.

I. PROCEDURAL HISTORY

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities (Liberty or the Company) is a public utility that distributes natural gas to approximately 90,000 customers in

southern and central New Hampshire and in the City of Berlin. On September 4, 2018, Liberty submitted a tariff filing for the 2018/2019 winter and summer periods that proposed adjustments to its cost of gas (COG) rates. The filing, which included direct testimony and supporting schedules, proposed changes to COG rates for firm sales customers, fixed winter COG rates under the fixed-price option (FPO), firm transportation COG rates, and local delivery adjustment charge (LDAC) rates.

On September 11, 2018, the Office of the Consumer Advocate (the OCA) notified the Commission of its participation on behalf of residential ratepayers pursuant to RSA 363:28. The Commission issued an Order of Notice on September 12, 2018. Commission Staff and the OCA conducted discovery and held a technical session with Liberty on October 8. There were no intervenors.

The Company filed a technical statement on October 5, 2018, followed by an amended technical statement on October 9, informing the Commission that “the low income portion of the energy efficiency budget was included in the residential program budget and was also included as an allocation between both residential and commercial & industrial (C&I) LDAC rates.” Hearing Exhibit (Exh.) 3 at 1. The Company further stated that although the company has “followed the same process since the winter of 2014/2015, residential customers were only impacted during the winter of 2014/2015 due to the running balance of the over/under collection. Post winter 2014/2015 the additional low income costs included in the residential EE rate were substantially offset by the prior year over-collection.” *Id.* Liberty noted the over-collected balance totaled \$1,310,342, which was ultimately reflected within the overall LDAC rates rather than the COG rates. In its amended technical statement, Liberty proposed to use this over-

collection to reduce the residential LDAC rate by \$0.0163 per therm to a new proposed rate of \$0.0673 per therm.

On October 30, the Company moved to reopen the record in order to update Exhibits 4, 6, 8, and 9. The Commission admitted the updated exhibits by Secretarial Letter on October 31. The updated exhibits correct an error in the RLIAP rate calculation. The correction reduced the proposed residential LDAC rate further to \$0.0660 per therm, and lowered the C&I LDAC rate from \$0.0772 per therm to \$0.0757 per therm.

Liberty's filing and subsequent docket entries, other than any information for which confidential treatment is requested of or granted by the Commission, are posted on the Commission's website at <http://www.puc.nh.gov/Regulatory/Docketbk/2018/18-137.html>.

II. COST OF GAS ADJUSTMENT MECHANISM

The COG adjustment mechanism was implemented in 1974 during a time of rapidly changing prices as a way to pass on to consumers increases and decreases in energy supply costs quickly, without having to go through extended proceedings to change delivery rates. Supply costs make up approximately half of a residential heating customer's annual bill and include commodity prices (the cost of gas), the cost to transport the gas over the pipelines, and storage costs. Liberty has little control over the price of natural gas, which is an unregulated commodity. Similarly, it has little price control over pipeline transportation rates, which are set by the Federal Energy Regulatory Commission. The COG adjustment mechanism allows the Company to pass fuel supply costs on to its customers directly and efficiently without mark-up or profit. COG rates are initially set using projected costs and sales for the upcoming winter and summer periods. Through the COG adjustment mechanism, the Company may adjust its COG rates

monthly to take into account changes in the natural gas market based on actual costs to date and projected costs for the remainder of the period.

In COG proceedings, the Commission also sets the LDAC rates that allow for recovery of expenses the Commission has approved in prior dockets through a per therm surcharge to be determined and implemented in the COG proceeding. In this proceeding, those expenses include costs associated with Liberty's low-income and energy efficiency programs, an environmental surcharge for manufactured gas plant remediation, and the energy efficiency resource standard lost revenue adjustment mechanism (LRAM). The LRAM is included in the LDAC in accordance with *Energy Efficiency Resource Standard*, Order No. 25,932 (August 2, 2016), which approved the implementation of a mechanism to recover lost revenue due to the installation of energy efficiency measures.

III. POSITIONS OF THE PARTIES AND STAFF

A. Liberty

In its initial filing of September 4, Liberty proposed several rates for approval, including: winter and summer COG rates for various rate classes; annual LDAC rates for various rate classes; a fixed price option (FPO) COG rate for residential customers; and a firm transportation COG rate. Exh. 1 at 47-49, 52.

At the October 22 hearing, Liberty entered several updated exhibits primarily affecting the LDAC. The first was an updated calculation of the Rate Case Expense & Recoupment Rate (Recoupment Rate) portion of the LDAC. Exh. 5. The updated calculation indicated that the Company believes the new Recoupment Rate should decrease from the filed rate of \$0.0105 per therm (Exh. 1 at 54) to the new rate of \$0.0079 per therm. Liberty also entered, as Exhibit 6, an updated calculation for the Residential Low Income Assistance Program (RLIAP). The

calculation added a “test year adjustment to Base Rates” of \$1,820,418 to the recovery amount but did not reduce the “First Block” or “Last Block” R-3 Delivery Charge which decreased from the filed amount of \$0.5631 to the updated amount of \$0.5502. Exh. 7 and Updated Exh. 8.¹ The Company included an updated Energy Efficiency Charge (EEC) of \$0.0287 (Updated Exh. 4) down from the filed EEC of \$0.0450 for residential customers,² but included no further information concerning the decrease. On October 30, 2018, Liberty filed an Updated Exh. 6, which corrected the RLIAP rate calculation, along with revised schedules affected by the correction. (Updated Exh. 4, 8, and 9).

As revised, Liberty’s proposed winter COG per therm rates for the various rate classes are: \$0.7411 for residential, with \$0.7611 for the fixed price option; \$0.7403 for commercial and industrial (C&I) high winter use; and \$0.7456 for C&I low winter use. Updated Exh. 8. Liberty proposed initial summer COG per therm rates of \$0.4445 for residential, \$0.4417 for C&I high winter use, and \$0.4506 for C&I low winter use customers. *Id.* The Company also proposed an LDAC rate of \$0.0660 per therm for residential customers from November 1, 2018, through October 31, 2019, and \$0.0757 per therm for C&I customers for the same period. *Id.*

The following tables include the expected total bill impact based on the prior winter’s and summer’s average use of each customer class. Updated Exh. 9.

¹ The updated RLIAP rate calculation for the R-3 first block base rate (Exhibit 6, lines 2 and 10) is \$0.5631 per therm, whereas the R-3 first block base rate approved in DG 17-048 and in Updated Exhibit 8 (Residential Heating – R-3) is \$0.5502 per therm. Correcting the error reduces the \$2.4 million program costs by \$50,000; that correction will be included in the RLIAP reconciliation and reflected in next year’s RLIAP rate.

² By approving the reduced EE component of the LDAC, the Commission is making no judgment on issues raised in the 2018-2020 New Hampshire Statewide Energy Efficiency Plan Update, filed September 14, 2018, in Docket No. DE 17-136.

Winter 2018-2019 Projected Bill Impacts

Class	2017/2018 (Actual)	2018/2019 (Projected)	Percent Change
R-3 Residential Heating	\$ 905	\$ 953	5%
G-42 C&I High Winter Use	\$17,859	\$18,438	3%
G-52 C&I Low Winter Use	\$12,250	\$12,594	3%

Summer 2019 Projected Bill Impacts

Class	2018 (Actual)	2019 (Projected)	Percent Change
R-3 Residential Heating	\$ 232	\$ 241	4%
G-42 C&I High Winter Use	\$3,324	\$3,642	10%
G-52 C&I Low Winter Use	\$5,119	\$5,605	10%

A typical residential heating customer will see an average monthly bill of about \$159 per month in winter 2018/2019 compared to \$151 for winter 2017/2018, and an average monthly bill of \$40 in the 2019 summer period compared to \$39 in the 2018 summer period. *Id.*

The Company also proposed: (1) a supplier balancing charge of \$0.19 per MMBtu of daily imbalances; (2) a transportation peaking service demand charge of \$20.41 per MMBtu of peak maximum daily quantity; (3) a gas allowance factor of 1.8 percent; (4) a transportation capacity allocator; (5) short-term debt limits of \$19,222,230 for fuel financing, and \$94,878,262 for non-fuel financing for the November 1, 2018, through October 31, 2019 period.

B. Staff

At the hearing, Staff expressed support for approval of the 2018/2019 COG and LDAC rates as amended by the technical statement filed on October 9 and as revised by the exhibits presented at the October 22 hearing.

C. OCA

The OCA stated that the proposed rate changes reflected in the Company's filing and technical statement are just and reasonable, and recommended that those changes be approved. The OCA also noted that any effort on the Company's part to make its tariffs clearer and more comprehensible would be helpful.

IV. COMMISSION ANALYSIS

The Commission has broad statutory authority to set rates in addition to "powers inherent within its broad grant" of express authority. *See Appeal of Verizon New England, Inc.*, 153 N.H. 50, 64-65 (2005) (citations omitted). The Commission applies the "just and reasonable" ratemaking standard of RSA 374:2 and RSA 378:7 when setting COG rates. Based on our review of the record in this docket, we approve the proposed, revised 2018/2019 winter and 2019 summer COG rates presented in Updated Exhibits 4 and 9 as just and reasonable. We also approve Liberty's LDAC rates as presented in Updated Exhibit 4. Since actual costs and revenues are reconciled every year, any adjustments needed as a result of further inquiry into the matters addressed in this order, including the correction to the RLIAP calculation, can be made in Liberty's COG filing for 2019/2020.

Pursuant to *EnergyNorth Natural Gas, Inc. d/b/a National Grid NH*, Order No. 24,963 (April 30, 2009), the approved non-FPO rates may be adjusted downward so far as needed and upward by no more than 25 percent, without further Commission action. *See also Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities*, Order No. 25,958 (October 26, 2016). By approving the corrected rates in Updated Exhibit 9 at the beginning of the period, the 25 percent upward limit has an appropriate starting point.

Based upon the foregoing, it is hereby

ORDERED, that Liberty’s 2018/2019 winter period COG per therm rates effective for service rendered on or after November 1, 2018, and Liberty’s 2019 summer season per therm rates effective May 1, 2019, are approved as set forth in this Order, as follows:

Customer Class	2018-2019 Winter COG	2018-2019 Winter Maximum COG	2018-2019 Winter FPO	2019 Summer COG	2019 Summer Maximum COG
Residential	\$0.7411	\$0.9264	\$0.7611	\$0.4445	\$0.5556
C&I High Winter Use	\$0.7403	\$0.9254		\$0.4417	\$0.5521
C&I Low Winter Use	\$0.7456	\$0.9320		\$0.4506	\$0.5633

and it is

FURTHER ORDERED, that Liberty may, without further Commission action, adjust the COG rates based on the projected over- or under-collection for the period, the adjusted rate to be effective the first day of the month and not to exceed, cumulatively, a maximum rate of 25 percent above the approved rate with no limitation on reductions to the COG rates; and it is

FURTHER ORDERED, that Liberty shall provide the Commission with its monthly calculation of the projected over- or under-collection, along with the resulting revised COG rates for the subsequent month, not less than five business days prior to the first day of the subsequent month. Liberty shall include revised Calculation of the Firm Sales Cost of Gas Rate tariff pages and revised rate schedules under separate cover letter if Liberty elects to adjust COG rates, with revised tariff pages to be filed as required by N.H. Code Admin. Rules Puc 1603; and it is

FURTHER ORDERED, that the over- or under-collection shall accrue interest at the prime rate as reported by the Federal Reserve Statistical Release of Selected Interest Rates, the rate to be adjusted monthly; and it is

FURTHER ORDERED, that Liberty's proposed LDAC per therm rates for the period November 1, 2018, through October 31, 2019, effective for service rendered on or after November 1, 2018, are \$0.0660 and \$0.0757 for residential and C&I customers, respectively; and it is

FURTHER ORDERED, that Liberty's proposed firm transportation winter COG rate of \$0.0005 per therm for the period November 1, 2018, through April 30, 2019, is approved; and it is

FURTHER ORDERED, that Liberty's proposed supplier balancing charge of \$0.19 per MMBtu of daily imbalance volumes is approved; and it is

FURTHER ORDERED, that Liberty's proposed transportation peaking service demand charge of \$20.41 per MMBtu of peak maximum daily quantity is approved; and it is

FURTHER ORDERED, that Liberty's company gas allowance factor of 1.8 percent is approved; and it is


FURTHER ORDERED, that Liberty's proposed transportation capacity allocators as filed in proposed First Revised Page 148, Superseding Original Page 148 are approved; and it is

FURTHER ORDERED, that Liberty's proposed short-term debt limits of \$19,222,230 for fuel financing and \$94,878,262 for non-fuel financing for the period November 1, 2018, through October 31, 2019, are approved; and it is


FURTHER ORDERED, that Liberty shall promptly file properly annotated tariff pages in compliance with this order no later than 15 days from the issuance date of this order, as required by N.H. Code Admin. Rules Puc 1603; and it is

FURTHER ORDERED, that Liberty shall file its proposed notice of rate change to customers with the Director of the Consumer Services and External Affairs Division, prior to delivery to its customers.


By order of the Public Utilities Commission of New Hampshire this first day of November, 2018.



Martin P. Honigberg
Chairman

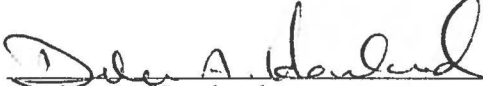


Kathryn M. Bailey
Commissioner

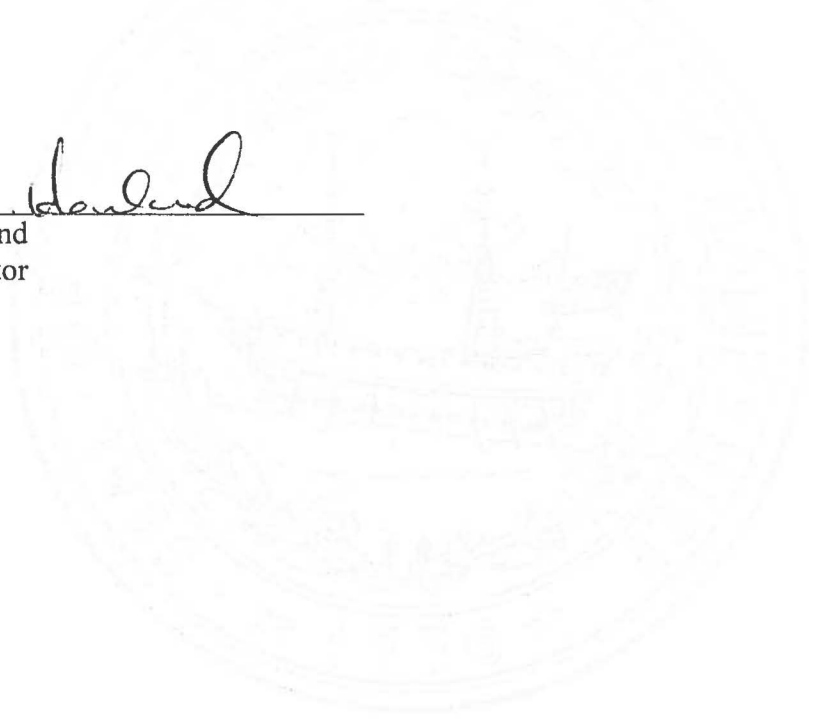


Michael S. Giaimo
Commissioner

Attested by:



Debra A. Howland
Executive Director



SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED

Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.

Executive.Director@puc.nh.gov
al-azad.iqbal@puc.nh.gov
amanda.noonan@puc.nh.gov
anthony.leone@puc.nh.gov
catherine.mcnamara@libertyutilities.com
david.simek@libertyutilities.com
deborah.gilbertson@libertyutilities.com
donald.kreis@oca.nh.gov
jayson.laflamme@puc.nh.gov
karen.sinville@libertyutilities.com
lynn.fabrizio@puc.nh.gov
mary.casey@libertyutilities.com
maureen.karpf@libertyutilities.com
michael.sheehan@libertyutilities.com
ocalitigation@oca.nh.gov
paul.dexter@puc.nh.gov
pradip.chattopadhyay@oca.nh.gov
steve.frink@puc.nh.gov
steven.mullen@libertyutilities.com

Docket #: 18-137-1 Printed: November 01, 2018

FILING INSTRUCTIONS:

- a) Pursuant to N.H. Admin Rule Puc 203.02 (a), with the exception of Discovery, file 7 copies, as well as an electronic copy, of all documents including cover letter with:**
- DEBRA A HOWLAND
EXEC DIRECTOR
NHPUC
21 S. FRUIT ST, SUITE 10
CONCORD NH 03301-2429
- b) Serve an electronic copy with each person identified on the Commission's service list and with the Office of Consumer Advocate.**
- c) Serve a written copy on each person on the service list not able to receive electronic mail.**