

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 20-141

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

Winter 2020/2021 Cost of Gas and Summer 2021 Cost of Gas Filing

Order Approving Cost of Gas Rates and Other Charges

ORDER NO. 26,419

October 30, 2020

APPEARANCES: Michael J. Sheehan, Esq., for Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities; the Office of the Consumer Advocate, by Christa Shute, Esq., on behalf of residential ratepayers; and Mary E. Schwarzer, Esq., for the Staff of the Public Utilities Commission.

This order approves a proposal by Liberty EnergyNorth for winter 2020-2021 and summer 2021 cost of gas (COG) rates. The initial residential COG rate for the winter period (November 1, 2020, through April 30, 2021) will be \$0.5571 per therm, and the fixed-price option will be \$0.5771 per therm. The local distribution adjustment clause rate will be \$0.0589 per therm from November 1, 2020, through October 31, 2021. A typical residential heating customer will pay approximately \$883 for the 2020-2021 winter period, compared to \$792 for last winter.

The initial residential cost of gas rate for the summer period (May 1, 2021, through October 31, 2021) will be \$0.3148 per therm. A typical residential heating customer will pay approximately \$229 for the 2021 summer period compared to \$227 for last summer.

I. PROCEDURAL HISTORY

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities (Liberty EnergyNorth¹ or the Company) is a public utility that distributes natural gas to approximately 97,000 customers in

¹ Liberty EnergyNorth is comprised of multiple divisions with a single COG for all divisions other than the Keene Division. That cost of gas is referred to as the EnergyNorth COG. This order refers to the Company as “Liberty EnergyNorth” to

southern and central New Hampshire and in the City of Berlin. On September 1, 2020, Liberty EnergyNorth submitted a tariff filing for the winter 2020-2021 and summer 2021 periods that proposed adjustments to COG rates. The filing, which included pre-filed direct testimony and supporting schedules, proposes changes to COG rates for firm sales customers, fixed winter COG rates under the fixed-price option (FPO), firm transportation COG rates, and the local distribution adjustment clause (LDAC). It also included a revenue decoupling adjustment factor (RDAF) as part of the LDAC, as decoupling was implemented in 2018 and first referenced in COG orders last year. *See Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities*, Order 26,122 at 43-46, 53-55 (April 27, 2018) (approving decoupling); Order No. 26,187 at 11 (November 2, 2018) (approving illustrative decoupling tariff); Order No. 26,306 (October 31, 2019) (Liberty EnergyNorth Winter 2019-2020 COG).

The Office of the Consumer Advocate (OCA) notified the Commission of its participation on behalf of residential ratepayers on September 8, 2020. There were no petitions for intervention filed in the docket, and no persons appeared at the hearing to provide public comment on the proposed rates.

The Order of Notice was issued on September 9, 2020. Commission Staff (Staff) conducted discovery and held a technical session with Liberty EnergyNorth and the OCA on September 23.

The Company made a number of revised filings. On October 16, 2020, the Company filed revised pre-filed testimony of David B. Simek and Catherine A. McNamara, with revised tariff pages and schedules. In particular, at the request of Staff, this filing recalculated the RDAF by customer class, as required by tariff. On October 19, 2020, at the request of Staff, the Company filed redlined versions of all changes made in the testimony, tariff pages, and schedules.² On October 22, 2020, at the

distinguish among divisions for purposes of COG rate-setting. The Liberty-Keene Winter 2020-2021 COG docket, Docket DG 20-152, is pending at this time.

² On October 21, consistent with the Commission's *Remote Hearing Guidelines*, Staff marked the Company's redlined filing Exhibit 5 for identification. At hearing, Exhibit 5 was not admitted as a full exhibit and was replaced with Exhibit 6.

request of Staff, the Company corrected errors in the redlined filing and provided an updated document. Staff marked the updated redlined documents as Exhibit 6, and filed the exhibit.

The petition 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 <https://www.puc.nh.gov/Regulatory/Docketbk/2020/20-141.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 EnergyNorth has little control over the price of natural gas, which is an unregulated commodity. Similarly, the Company 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. To the extent that adjustments are based on projected costs, they are subject to reconciliation periodically, after actual costs are known.

In the COG docket, the Commission also sets the LDAC rates that allow for recovery of expenses the Commission has approved in prior dockets through a per therm charge to be determined and implemented in the COG proceeding. The LDAC is a component of the Company's proposed COG rates in both the Liberty EnergyNorth and the Liberty Keene Division dockets. Order 26,122 at

37-41. LDAC expenses include costs associated with an environmental surcharge for manufactured gas plant remediation, Liberty Utilities' energy efficiency and low-income programs, and the RDAF.

III. POSITIONS OF THE PARTIES AND STAFF

A. Liberty EnergyNorth

In its initial filing of September 1, 2020, Liberty EnergyNorth 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 COG rate for residential customers, and a firm transportation COG rate. *See* Exhs. 1-3; Exhibit 1 Bates 049 (transportation rate).

In the Company's revised filings, Liberty EnergyNorth made several changes primarily affecting the LDAC (including changes to the RDAF to calculate by separate rate class), and resulting in proposed amendments to the tariff and schedules. *See* Exhs. 3 and 6. The LDAC also includes costs associated with Liberty's participation in the Gas Assistance Program, formerly known as the Residential Low Income Assistance Program, as well as the costs associated with administering that program.³

Liberty EnergyNorth's proposed winter COG per therm rates for the various rate classes are \$0.5571 for residential; \$0.5552 for commercial and industrial (C&I) high winter use; and \$0.5660 for C&I low winter use. The Company's proposed summer COG per therm rates are \$0.3148 for residential, \$0.3109 for C&I high winter use, and \$0.3199 for C&I low winter use. *See* Exhs. 3at 085R-088R (winter rates and bill impacts) and 229R-232R (summer rates and bill impacts). In its revised filings, the Company proposed an LDAC rate of 0.0589 per therm for residential customers from November 1, 2020, through October 31, 2021, and \$0.0555 per therm for C&I customers for the same period. Exhs. 3 and 6 at 052R.

³ *See* Order No. 26,397 (August 27, 2020, Docket No. 20-013) (modifying the Residential Low Income Assistance Program for natural gas and renaming it the "Gas Assistance Program").

The following tables include the expected total bill impact based on the prior winter's and summer's average use for each customer class.

Winter 2020/2021 Projected Bill Impacts

Class	2019-2020 (Actual)	2020-2021 (Projected)	Percent Change
R-3 Residential Heating	\$ 792	\$ 883	11%
G-42 C&I High Winter Use	\$ 13,718	\$ 15,427	12%
G-52 C&I Low Winter Use	\$ 9,220	\$ 10,387	13%

Summer 2021 Projected Bill Impacts

Class	2020 (Actual)	2021 (Projected)	Percent Change
R-3 Residential Heating	\$ 227	\$ 229	1%
G-42 C&I High Winter Use	\$ 3,234	\$ 3,231	0%
G-52 C&I Low Winter Use	\$ 4,966	\$ 4,638	-7%

The initial residential cost of gas rate for the winter period (November 1, 2020, through April 30, 2021) will be \$0.5571 per therm, and the fixed-price option will be \$0.5771 per therm. The (LDAC) rate will be \$0.0589 per therm from November 1, 2020, through October 31, 2021, compared to \$.0310 for the prior year. The initial residential cost of gas rate for the summer period (May 1, 2021 through October 31, 2021) will be \$0.3148 per therm.

The Company also proposed: (1) a supplier balancing charge of \$0.12 per MMBtu of daily imbalances; (2) a transportation peaking service demand charge of \$17.32 per MMBtu of peak maximum daily quantity per month; (3) a gas allowance factor of 1.6 percent; (4) transportation capacity allocators; (5) short-term debt limits of \$14,742,890 for fuel financing, and \$105,567,204 for non-fuel financing for the November 1, 2020, through October 31, 2021, period. See Exhibit 1, Bates 049, 053 and 196.

B. Staff

Staff identified inaccuracies in Liberty EnergyNorth's initial filing that resulted in recalculated RDAFs by customer class, and resulting changes to the proposed tariff and schedules. Exh. 6. Proposed price increases, as compared to last year's COG proposed rates are primarily due to the change in NYMEX price and prior period over/under collections.

At hearing, Staff supported approval of the proposed, revised 2020-2021 COG and LDAC rates as filed on September 1, 2020, and updated by Liberty EnergyNorth on October 16 and October 22. *See* Exhibits 1-3, 6. Staff expressed appreciation for the Company's response to Staff concerns, and a preference for the Company filing redlined revised documents as exhibits itself in future COG dockets.

C. OCA

The OCA stated that the proposed rate changes reflected in the Company's September 1 filing, as revised on October 16 and October 22, are just and reasonable, and recommended that those changes be approved.

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.

This is the second Liberty EnergyNorth COG proceeding in which decoupling has been incorporated into ratemaking. Decoupling was first implemented in 2018 and was designed to sever the link between sales and revenues to remove the Company's disincentive to promote energy conservation that is inherent in traditional ratemaking. This is accomplished through the revenue decoupling adjustment factor (RDAF), which, as stated above, is part of the LDAC.

We approve the proposed winter 2020-2021 and summer 2021 COG rates, as revised in the Company's October 16 filing and October 22 submission, as just and reasonable. *See* Exhibits 2, 3, 6. We also approve the Company's proposed LDAC rate, including but not limited to the RDAF, as revised in the October 16 filing and October 22 submission, as just and reasonable. *See id.* Because 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 final audits and actual costs, can be made in Liberty EnergyNorth's COG filing for 2021-2022.

Pursuant to *EnergyNorth Natural Gas, Inc. d/b/a National Grid NH*, Order No. 24,963 (April 30, 2009), the Company may 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. *See also Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities*, Order No. 25,958 (October 26, 2016). By approving the rates in the initial filing, as corrected in the Company's October 16 and October 22 filings, the 25 percent upward limit has an appropriate starting point at the beginning of the 2020-2021 winter period.

We note that the use of the LDAC is similar among natural gas utilities. In Liberty EnergyNorth's Tariff No. 10, LDAC is defined on page 32 as the local distribution adjustment clause:

The purpose of the Local Distribution Adjustment Clause ("LDAC" or this "Clause") is to establish procedures that allow the Company, subject to the jurisdiction of the NHPUC, to adjust, on an annual basis, its delivery charges in order to recover Conservation Charges ("CC"), Revenue Decoupling Adjustment Factor ("RDAF"), Winter Period Surcharges ("WPS"), Environmental Surcharges ("ES") including the Relief Holder Surcharge ("RHS") and the Manufactured Gas Program Surcharge ("MGP"), rate case expenses ("RCE"), Residential Low Income Assistance Program costs ("RLIAP") and any other expenses the NHPUC may approve from time to time. The purpose of the Normal Weather Adjustment ("NWA") is to establish procedures that allow the Company, subject to the jurisdiction of NHPUC, to calculate and apply, for each customer on a monthly basis, the Normal Weather Factor ("NWF").

We direct Liberty EnergyNorth to modify its tariff so that LDAC is an abbreviation for local delivery adjustment charge to make the acronym consistent among gas utilities. We also direct Liberty EnergyNorth to substitute the newly adopted terminology Gas Assistance Program (GAP) for the Residential Low Income Assistance Program (RLIAP).

Based upon the foregoing, it is hereby

ORDERED, that Liberty EnergyNorth’s 2020-2021 winter period COG per therm rates effective for service rendered on or after November 1, 2020, and Liberty EnergyNorth’s 2021 summer period COG per therm rates effective May 1, 2021, are approved as set forth in this order, as follows:

Customer Class	2020/2021 Winter COG	2020/2021 Winter Maximum COG	2020/2021 Winter FPO	2021 Summer COG	2021 Summer Maximum COG
Residential	\$0.5571	\$0.6964	\$0.5771	\$0.3148	\$0.3935
C&I High Winter Use	\$0.5552	\$0.6941	N/A	\$0.3109	\$0.3886
C&I Low Winter Use	\$0.5660	\$0.7075	N/A	\$0.3199	\$0.3999

and it is

FURTHER ORDERED, that Liberty EnergyNorth 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 (said maximum rates identified in the table above) with no limitation on reductions to the COG rates; and it is

FURTHER ORDERED, that Liberty EnergyNorth 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 EnergyNorth shall include revised Calculation of the Firm Sales Cost of Gas Rate

tariff pages and revised rate schedules under separate cover letter if Liberty EnergyNorth elects to adjust COG rates, with revised tariff pages to be filed as required by N.H. 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 EnergyNorth's proposed LDAC per therm rates for the period November 1, 2020, through October 31, 2021, effective for service rendered on or after November 1, 2020, are \$0.0589 and \$0.0555 for residential and C&I customers, respectively; and it is

FURTHER ORDERED, that Liberty EnergyNorth's proposed firm transportation winter COG rate of \$0.0001 per therm for the period November 1, 2020, through April 30, 2021, is approved; and it is

FURTHER ORDERED, that Liberty EnergyNorth's proposed supplier balancing charge of \$0.12 per MMBtu of daily imbalance volumes is approved; and it is

FURTHER ORDERED, that Liberty EnergyNorth's proposed transportation peaking service demand charge of \$17.32 per MMBtu of peak maximum daily quantity per month is approved; and it is

FURTHER ORDERED, that Liberty EnergyNorth's company gas allowance factor of 1.6 percent is approved; and it is

FURTHER ORDERED, that Liberty EnergyNorth's proposed transportation capacity allocators as filed in the *Proposed Third Revised Page 148, Superseding Second Revised Page 148*, are approved; and it is

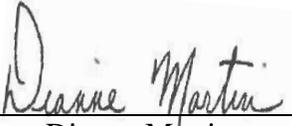
FURTHER ORDERED, that Liberty EnergyNorth's proposed short-term debt limits of \$14,742,890 for fuel financing and \$105,567,204 for non-fuel financing for the period November 1, 2020, through October 31, 2021, are approved; and it is

FURTHER ORDERED, that Liberty EnergyNorth shall modify the LDAC definition as discussed above; and it is

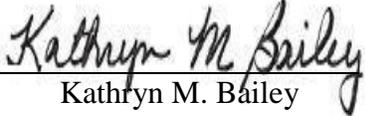
FURTHER ORDERED, that Liberty EnergyNorth shall promptly file properly annotated tariff pages in compliance with this order no later than 15 days from the issuance date of this order, as required by N.H. Admin. Rules Puc 1603; and it is

FURTHER ORDERED, that before the next cost of gas proceeding, Liberty EnergyNorth shall submit its customer notice of proposed rate change for the 2021-2022 period to 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 thirtieth day of October, 2020.

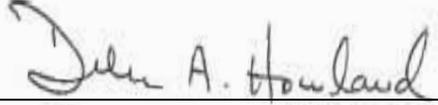


Dianne Martin
Chairwoman



Kathryn M. Bailey
Commissioner

Attested by:



Debra A. Howland
Executive Director

Service List - Docket Related

Docket#: 20-141

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