

NHPUC No.10 GAS  
LIBERTY UTILITIES

Proposed Twelfth Revised Page 93  
Superseding Eleventh Revised Page 93

**31. CALCULATION OF FIRM SALES AND FIXED WINTER PERIOD COST OF GAS RATE KEENE CUSTOMERS**

Calculation of the Cost of Gas Rate

Period Covered: Winter Period November 1, 2020 through April 30, 2021

Projected Gas Sales - therms 1,108,419

Total Anticipated Cost of Gas Sendout \$1,238,731

Add: Prior Period Deficiency Uncollected (\$104,463)  
Interest (\$935)

Deduct: Prior Period Excess Collected \$0  
Interest \$0

Prior Period Adjustments and Interest (\$105,398)

Total Anticipated Cost \$1,133,333

Cost of Gas Rate

Non-Fixed Price Option Cost of Gas Rate - Beginning Period (per therm) \$1.0225

Fixed Price Option Premium \$0.0200

Fixed Price Option Cost of Gas Rate (per therm) \$1.0425

Pursuant to tariff section 17(d), the Company may adjust the approved  
cost of gas rate upward on a monthly basis to the following rate:

Maximum Cost of Gas Rate - Non-Fixed Price Option (per therm) \$1.2781

DATED: October 31, 2020

ISSUED BY: /s/Susan L. Fleck  
Susan L. Fleck

EFFECTIVE: November 01, 2020

TITLE: President

Authorized by NHPUC Order No. xx,xxx dated October xx, 2020 in Docket No. DG 20-xxx

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

DG 20-152  
Winter 2020/2021 Cost of Gas

Staff Data Requests - Set 1

Date Request Received: 9/24/20  
Request No. Staff 1-12

Date of Response: 10/5/20  
Respondent: Steven Mullen

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**REQUEST:**

Re: Testimony of Gilbertson, McNamara and Simek at 8 and Order 26,305 (October 31, 2019 Docket No. 19-153) at 2 (“When seeking Commission approval for its acquisition of Keene in 2014, Liberty mentioned future plans to convert the existing Keene propane-air gas system to a natural gas system”) at 7 (“The Commission has yet to find the use of natural gas in Keene to be consistent with a least cost supply, or otherwise prudent”). Given that the prudence of the CNG conversion, including the CNG supply contract, has not been determined, isn’t it premature to include demand charges from August 2017 through September 2019 in this filing? Would this matter more appropriately be considered in a future docket that presents the question of whether the conversion was prudent?

**RESPONSE:**

The Company disagrees with the statement that “the prudence of the CNG conversion, including the CNG supply contract, has not been determined,” at least with respect to the limited number of customer conversions that have taken place to date.

First, in Docket No. DG 17-069, the Commission allowed to go into effect changes to the Company’s tariff that allowed for the conversion to CNG in Keene. “Specifically, Liberty-Keene plans to convert from a system that delivers propane-air to a system that delivers natural gas, and the adjustments to Page 17 of NHPUC No.1 are designed to accommodate this conversion.” Order No. 26,019 at 1 (May 24, 2017). The Order suspended the proposed tariff until August 24, 2017, and, since the Commission elected to take no further action in the docket, the tariff became effective on August 24 by operation of law.

Second, the Commission approved Liberty’s conversion of the customers at the Monadnock Marketplace from propane-air to CNG in Order No. 26,274 (July 26, 2019) in Docket No. DG 17-068 with the following language:

FURTHER ORDERED, that the Commission’s Safety Division’s recommendation that Liberty be permitted to initiate the conversion of the Keene propane-air distribution

system to compressed natural gas to customers in the Keene Division for Phase I is approved; and it is

FURTHER ORDERED, that Liberty shall not flow any gas through Phases II through V of CNG/LNG installations in Keene until the Director of the Commission's Safety Division has DG 17-068 found the required plans and reports to be adequate and has completed its physical inspection of the facilities;

Third, the Commission twice approved as "just and reasonable" cost of gas rates that included CNG demand charges in the Summer 2018 and Summer 2019 cost of gas proceedings. *See* Order No. 26,126 at 5 (May 1, 2018); Order No. 26,241 at 5 (Apr. 29, 2019). The 2018 order did not condition its approval on some future prudence determination. The 2019 order rejected Staff's argument that the CNG costs may be imprudent, simply saying Staff could make that argument elsewhere: "We decline to address Staff's concerns with regard to CNG costs that may exceed the cost of alternative fuels at this time. Staff is free to raise the issue in future dockets, including in the Company's next rate case." Order No. 26,241 at 5. The Order unequivocally approved the requested COG rates as filed, which included demand charges. Although the Company later removed the demand charges through the summer period reconciliations because the CNG did not flow during those seasons, these orders remain conclusive findings that it was prudent for the Company to incur the CNG demand costs at the time they were incurred, which, of course, is the appropriate prudence standard.

The discussion above indicates that (a) the Commission approved the demand charges through the 2018 and 2019 cost of gas orders; (b) since the conversion of the customers in the Monadnock Marketplace from propane-air to compressed natural gas was approved, the Company needed to provide those customers with CNG, and (c) there was no approval at that point of any further conversions on the Keene system.

The CNG costs that have been incurred to date relate to the temporary CNG facility that is being used to supply customers in the Monadnock Marketplace and the contract to provide the needed CNG supply for those same customers. The Company had planned to put the temporary CNG facility online in the latter part of 2017, so it was necessary to have a CNG contract in place, including the incurrence of demand charges, to be ready to serve customers. Although the conversion of customers in the Monadnock Marketplace to natural gas was delayed until the fall of 2019, it was expected at various interim times that CNG service would commence sooner. *See*, for example, the Company's testimony during the October 13, 2017, hearing in the 2017 Winter cost of gas proceeding, at 26-27, stating the Company intended to begin serving CNG on November 2, 2017, and the testimony filed on March 30, 2018, in Docket No. DG 18-052 which stated that the Company expected to begin serving a limited number of customers with CNG during June or July 2018. Also see the Company's response to Staff 1-4 for further information about events that occurred to cause the commencement of CNG service to be delayed.

From the Company's perspective, there are really three decisions at issue with respect to CNG costs:

- 1) The incurrence of demand charges beginning in August 2017;
- 2) The incurrence of CNG costs to serve customers that have been converted from propane-air to natural gas; and
- 3) Future conversion of portions of the Keene system beyond the Monadnock Marketplace.

While the first topic has been included in this docket for consideration, the Company views the second topic as costs it needs to incur to provide service to the customers in the portion of its system that have been converted to natural gas service. Given the Commission's approval of the cost of gas rates described above, and approval of the conversion of that limited part of the system, it is inappropriate to put the Company in a position where the costs to supply natural gas to those customers will continually be compared to propane costs as if the conversion had never happened because those prudently converted customers must be served natural gas.

The third topic will be dealt with in the future as each conversion/expansion phase is being considered. Pursuant to the provisions included in Order No. 26,122 (April 27, 2018), the Company needs to meet a series of requirements and get specific approval of all future conversion/expansion plans by both the Safety Division and the Commission before proceeding with any future phase. It seems at those times the Commission will have the opportunity to determine whether any future conversion/expansion phase would be in customers' interests.

Thus, the Company believes the Commission has already approved the CNG demand charges and does not believe a future docket is needed to address the question of the Marketplace CNG conversion. The Company is trying to methodically plan for the future of the Keene system, but the continual uncertainty regarding cost recovery makes future planning much more problematic.

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

DG 20-152  
Winter 2020/2021 Cost of Gas

Staff Data Requests - Set 1

Date Request Received: 9/24/20  
Request No. Staff 1-4

Date of Response: 10/5/20  
Respondent: Steven Mullen

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**REQUEST:**

Ref. Bates p. 9. Please describe each obstacle and the associated delay. To what form of permission does the phrase “the go-ahead to put the CNG system online at any time” refer?

**RESPONSE:**

The obstacles to putting the temporary CNG system online varied since early 2017 when the Company informed Staff and the OCA of its plan to install the facility on its Production Avenue site to serve the Monadnock Marketplace and retire the blower systems. (In 2016, the Company and Staff discussed a temporary facility located behind a store at the Marketplace, but there was not sufficient time to work through the various issues that arose with siting the facility there.) The permissions also evolved over time.

The first obstacle was Staff’s statement that the Company did not have the franchise right to serve natural gas in Keene. As described in the April 24, 2017, Petition for a Declaratory Ruling (“Petition”) (revised on April 26, 2017) in Docket No. DG 17-068, the Company had been discussing with Staff its plan for a temporary CNG facility in Keene on several occasions and, during a March 27, 2017, meeting, was advised by Staff that the Company needed to file for franchise approval to be able to serve natural gas to its customers in Keene. The Petition further stated the Company’s plans to have the temporary CNG facility ready for the 2017–2018 winter season. Although the Company did not agree that it needed to seek franchise authority, it filed the Petition in an attempt to avoid significant delay given the difference in position and essentially obtain “permission” to serve natural gas in Keene.

The Company received this “permission” on October 20, 2017, six months after filing with no other activity in the docket, when the Commission issued Order No. 26,065 in DG 17-068 granting the Company’s petition and declaring that additional franchise authority was not required. Given the timing of that order, even if it was issued without the further requirements discussed below, the temporary CNG facility could not have been put online to serve customers because it was already too late in the season to be able to convert the customers in the Marketplace for the 2017–2018 winter season. The conversions cannot safely occur during cold weather. Had the Company known the Petition was going to be pending at the Commission for

an extended period of time then it likely would have altered its plans regarding the timing of putting the CNG facility in service and not entered into a CNG supply contract in advance of the 2017–2018 winter season.

The second obstacle to the CNG facility going online, and the second permission needed before serving CNG, arose from the conditions imposed in Order No. 26,065:

FURTHER ORDERED, that Liberty provide the final comprehensive plans and reports as described above; and it is

FURTHER ORDERED, that Liberty shall not flow any gas through the CNG/LNG installation in Keene until the Commission's Safety Division has found the required plans and reports adequate, and completed its physical inspection of the facilities as described above.

This language indicates that the ability to grant permission rested with the Commission's Safety Division with no mention that further action by the Commission would be necessary.<sup>1</sup> The requirement to obtain Safety Division approval gave rise to nearly a two year delay.

As the Company proceeded to provide plans and reports as required in Order No. 26,065, it became apparent that there was a significant difference in interpretation of the appropriate demarcation point on the CNG decompression equipment between where ASME B31.3 and 49 CFR Part 192 standards applied. The Company submitted its documentation consistent with ASME B31.3, which is the code governing the supplier of the CNG skid and is what that company used in its other installations of CNG unloading facilities, including those that feed into utility transmission and distribution piping, throughout the country. As part of that documentation, the demarcation point between the applicability of ASME B31.3 and 49 CFR Part 192 would be the outlet flange after the decompression was complete. The Safety Division, while acknowledging that "[t]here is no single applicable safety standard used within New Hampshire, nor nationwide, for CNG trailers,"<sup>2</sup> applied 49 CFR Part 192 to the installation as part of its assessment of the CNG installation, which meant that the demarcation point was the hose that connects the decompression facility to the trailers. This interpretation was not expected by the Company and resulted in the entire CNG skid having to be modified to meet the different standards, and also necessitated significant revisions to the Company's documentation, including the documentation of the owner of the CNG skid. The Safety Division's October 3, 2018, Adequacy Assessment took approximately a year to produce.

<sup>1</sup> The Company did not definitively learn that Commission approval of the Safety Division's assessment was a portion of the permission until twenty-one months later when the Commission issued Order No. 26,274 (July 24, 2019) and "accepted" and approved the Safety Division's assessment.

<sup>2</sup> NHPUC Safety Division Adequacy Assessment of the Proposed Compressed Natural Gas Installation by Liberty Utilities - Keene, NH Division (October 3, 2018) at 7.

The Company understands that this CNG installation was the first of its kind in New Hampshire and required significant research and investigation, but this was a significant portion of the delays that were encountered throughout the process. As the Company had no idea how long the Safety Division's assessment might take or what it might say, it was reasonable for the Company to have a CNG supply contract in place to be ready to serve customers for the 2018–2019 winter as the approval could have happened “at any time.”

Following months of the Company providing the necessary responses and updates to the Safety Division's Adequacy Assessment, on April 6, 2019, the Safety Division submitted its recommendation that “allows the commencement of the proposed Monadnock Marketplace system conversion from propane-air to natural gas and begins the flow of natural gas.” Although receipt of the Safety Division's recommendation gave support for the commencement of natural gas service, the Commission subsequently issued Order No. 26,274 (July 24, 2019) which denied Mr. Clark's motion for rehearing of Order 26,065 (which had been pending since May 2018), and “accepted” and approved the Safety Division's recommendation. As stated earlier, this was a procedural step that was not expected by the Company nor previously articulated by the Commission.

Mr. Clark sought further reconsideration of the July 24 order. As long as Mr. Clark's motion was still pending, the Company could not proceed because there was still the possibility the Commission could alter its ruling after rehearing. The Commission denied that pending motion in Order No. 26,294 (September 25, 2019), almost two years after issuing Order 26,065, which, coupled with the other events described above, finally provided the “go-ahead” to proceeding customer conversions and the provision of natural gas service in advance of the 2019–2020 winter season.

The Company converted the Marketplace customers and began flowing CNG in October 2019, two and one half years after encountering the first obstacle.