

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 22-045

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

Winter 2022/2023 Cost of Gas and Summer 2023 Cost of Gas

Order Establishing Cost of Gas and Local Distribution Adjustment Charge Rates

ORDER NO. 26,715

October 31, 2022

In this order, the Commission approves Cost of Gas (COG) rates for the 2022-2023 winter period and for the 2023 summer period, as well as Local Distribution Adjustment Charge (LDAC) rates for effect as of November 1, 2022. The costs for the winter and summer periods are reflective of commodity prices, hedging, and Liberty's gas transportation, storage, and peaking strategies.

| | Residential Rates (per therm) | | | | | |
|--------------|---|------------------|------------|---------------------|------------------|------------|
| | Winter Rates | | Change | Summer Rates | | Change |
| | Proposed Rates | Prior Year Rates | | Proposed Rates | Prior Year Rates | |
| Cost of Gas | \$1.4300 | \$0.8411 | \$0.5889 | \$1.0269 | \$0.8733 | \$0.1536 |
| LDAC | \$0.1110 | \$0.1226 | \$(0.0116) | \$0.1110 | \$0.1318 | \$(0.0208) |
| Distribution | \$0.6519 | \$0.5632 | \$0.0887 | \$0.6519 | \$0.6045 | \$0.0474 |
| Total | \$2.1929 | \$1.6032 | \$0.5897 | \$1.7898 | \$1.7003 | \$0.0895 |

This winter residential customers can expect to pay 70% more than last winter and 18% more this summer as compared to last summer for COG, based on weighted-average rates in the prior year periods.

Gas commodity costs incurred by Liberty in making purchases to serve its customers are passed through without a markup in the COG tariff rates. The Commission does not administratively set the prices offered by wholesale gas suppliers or ancillary service providers to serve Liberty's customer load. These prices are set by

the suppliers and service providers themselves, informed by prevailing market conditions, where Liberty endeavors to procure a reliable gas supply at the lowest cost. The Commission oversees this procurement process as part of this proceeding and approves the resultant rates under the governing statutory standards.

I. PROCEDURAL HISTORY

On August 3, 2022, Liberty submitted its 2022 Local Distribution Adjustment Charge (LDAC) filing, requesting approval of its proposed LDACs for the period from November 1, 2022, through October 31, 2023. In support of its LDAC filing, Liberty pre-filed the direct testimony, and related schedules, of: Catherine A. McNamara, a Rates and Regulatory Affairs analyst with Liberty Utilities Service Corp. (LUSC); and Mary E. Casey, LUSC Senior Manager, Environment; and proposed tariff pages. This filing was updated on September 1, 2022. Order No.

On August 8, 2022, the New Hampshire Department of Energy (DOE) filed a notice of appearance. The Office of the Consumer Advocate (OCA) filed its letter of participation on August 23, 2022.

The Commission commenced an adjudicative proceeding and provided notice of hearing order on August 24, 2022, scheduling a hearing on this matter for October 25, 2022. There were no intervenors.

On September 2, 2022, Liberty filed a winter 2022/2023 and summer 2023 cost of gas (COG) filing outlining its proposed COG for the winter period (November 1, 2022, through April 30, 2023) and the summer period (May 1, 2023, through October 31, 2022).

On September 28, 2022, the Commission issued Order No. 26,692, removing two contested issues from inclusion in the LDAC rates to be effective November 1, 2022. These issues relate to LDAC inputs from Liberty's Revenue Decoupling

Adjustment Factor and specific costs incurred in 2021-2022 to stabilize the gas holder house in Concord, N.H.

On October 7, 2022, Liberty updated its Winter 2022–2023 and Summer 2023 Cost of Gas filing, including the Technical Statement of Heather M. Tebbetts, and supporting schedules.

On October 10, 2022, the DOE filed a letter relating to the treatment of energy efficiency component of the LDAC. The DOE recommended that the currently effective energy efficiency component be approved for November and December, 2022 and be used as a monthly placeholder for the months of January 2023 through October 2023 for the purposes of calculating Liberty’s 2022-2023 LDAC, to be effective November 1, 2022.

On October 21, 2022, the Commission requested summary data pertaining to Liberty’s Winter 2022/2023 Cost of Gas and Summer 2023 Cost of Gas and LDAC rate proposals.

On October 24, 2022, the DOE filed the Technical Statement of Faisal Deen Arif, Gas Director of the DOE’s Division of Regulatory Support. Liberty also filed summary information in response to the Commission’s October 21, 2022, record requests.

The hearing was held on October 25, 2022, as scheduled, representatives of Liberty, the DOE, and the OCA appeared. On October 28, the DOE submitted a post-hearing verification that the rate information Liberty provided on October 24 in response to a Commission record request matched the rate information Liberty provided in its Exhibit 7 (Technical Statement of Heather Tebbetts, originally filed on October 7, 2022).

The petition and subsequent docket filings, 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/2022/22-045.html>

II. BACKGROUND AND OVERVIEW OF LIBERTY'S LDAC AND COG REQUESTS

The Cost of Gas adjustment mechanism was implemented in 1974 during a time of rapidly changing prices to reflect increases and decreases in energy supply costs in customer rates without having to go through extended proceedings to change fuel delivery rates. Liberty has limited control over the market price of natural gas, which is an unregulated commodity. Similarly, it has limited control over items such as fuel transportation. The COG adjustment mechanism allows Liberty to pass those 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 period, which runs from November 1 through April 30 and through the summer period which runs from May 1 to October 31.

Through the COG adjustment mechanism, Liberty may adjust COG rates monthly to incorporate changes in the propane and natural gas markets based on actual costs to date and projected costs for the remainder of the period. While there is no limitation on reductions to COG rates, rates may be adjusted upward without Commission action up to a cumulative maximum of 25 percent above the approved rate. To the extent that adjustments are based on projected costs, they are subject to periodic reconciliation, after all actual costs are known and reported.

As in prior years, Liberty offered residential customers the opportunity to lock in a specific price per therm for gas supply through its FPO program. Under the program, a customer pays one price per therm for the gas supply portion of the

monthly bill from November 1 through April 30, regardless of market-price fluctuations. In contrast, the non-FPO COG rate fluctuates with market prices and is subject to monthly increases or decreases. Liberty proposed a residential FPO program rate of \$1.7535 per therm, which is two cents higher than its initially proposed residential COG rate.

The Commission also has historically set the LDAC within the context of COG proceedings. The LDAC set in this proceeding is applied to all Liberty customers taking gas service, including customers in its Keene Division. The Commission is investigating the potential for separating LDAC and COG reviews generally in the context of its Investigation in Docket No. IR 22-053. In addition, pursuant to Order No. 26,663 (August 4, 2022), the parties to are separately expected to propose two tracks for the adjudication of COG/LDAC charges for future years by December 31, 2022.

The LDAC allows for recovery of expenses and costs the Commission has approved in prior dockets through a per therm charge. Liberty's LDAC expenses and costs include the energy efficiency charge; environmental surcharges, including both manufactured gas plant and gas holder costs and expenses; the revenue decoupling adjustment factor; the property tax adjustment mechanism; rate case expenses; and residential low-income assistance program costs.

The impacts of Liberty's proposals on the winter and summer bills of a typical residential heating customer are summarized in the tables below:

Winter Bill

| | Proposed 2022-23 | 2021-22 | Proposed vs 2021-22 | |
|-----------------------|------------------|------------|---------------------|----------|
| | | | \$ | Change % |
| Base Rate | \$496.99 | \$441.94 | \$55.05 | 12% |
| COG | \$887.65 | \$522.12 | \$365.53 | 70% |
| LDAC | \$68.90 | \$74.99 | \$(6.09) | -8% |
| Winter Total | \$1,453.54 | \$1,039.05 | \$414.49 | 40% |
| Average Monthly Total | \$242.26 | \$173.18 | \$69.08 | 40% |

Summer Bill

| | Proposed 2023 | 2022 | Proposed vs 2022 | |
|-----------------------|---------------|----------|------------------|----------|
| | | | \$ | Change % |
| Base Rate | \$184.15 | \$175.77 | \$8.38 | 5% |
| COG | \$144.62 | \$122.98 | \$21.64 | 18% |
| LDAC | \$15.63 | \$18.56 | \$(2.93) | -16% |
| Summer Total | \$344.40 | \$317.31 | \$27.09 | 9% |
| Average Monthly Total | \$57.40 | \$52.89 | \$4.52 | 9% |

Liberty is updating, and increasing, its Company Allowance Calculation (for lost and unaccounted for gas and Company use of gas) for the period of November 2022 through October 2023 to 2.5 percent. It also proposes changes to its supplier balancing charge, peaking demand charge, and capacity allocator percentages.

III. POSITIONS OF THE PARTIES

The DOE, in a letter dated October 10, 2022, made a recommendation regarding the energy efficiency charge treatment to be applied for this upcoming COG year. The DOE advocated for an approach where the current energy efficiency charge of \$0.0640 per therm for residential customers and \$0.0426 per therm for C&I customers should be approved for November and December, 2022, and should be used as a monthly placeholder for the months of January 2023 through October 2023 for the purposes of the calculating the LDAC to be effective on November 1, 2022.

In a statement made at hearing, the DOE indicated that it was generally supportive of Liberty's COG and LDAC proposals. The DOE conditioned this support on having another day to confirm certain rates, which the DOE subsequently verified were correct. With respect to the FPO rate, the DOE recommended reducing Liberty's proposed residential winter FPO rate to \$1.4500 per therm, as opposed to the initially proposed \$1.7535 per therm, so that the FPO rate is two cents higher than the updated residential COG rate approved in this proceeding. The DOE recommended that any change to the FPO rate previously quoted to customers should provide ten business days to customers that elected to accept the FPO rate to change their enrollment status to the regular COG rate, if they so desired. With respect to the residential low-income assistance program costs included in the LDAC, the DOE noted that these costs must be consistent with the Commission's ongoing requirement, reaffirmed by Order No. 26,662 (August 4, 2022), that costs total no more than one percent of Liberty's firm gross sales and transportation revenues.

The DOE also expressed its preference for separate consideration of the proposed summer 2023 COG rates in a separate proceeding in spring 2023 or an opportunity to waive such a proceeding if the rates do not need to be updated, due to the recent trend of increasing gas-commodity volatility.

The OCA, in its statement made at hearing, expressed its support for the DOE's proposed adjustment to the FPO rate, and its preference for a separate proceeding to review the summer 2023 COG rates. The OCA otherwise supported Commission approval of the winter 2022-2023 COG rates proposal and the portions of the LDAC under consideration at this time.

In its final statement made at hearing, Liberty expressed its preference for approval of both the winter and summer COG proposed rates as part of this

proceeding, as well as the rates as filed. With respect to the FPO rate, Liberty was agnostic whether the Commission modified the rate as recommended by the DOE and OCA, noting that it was willing to implement a rate decrease for effect November 1, 2022, but would still engage in a notification process that would allow enrolled customers adequate time to opt out of the lower FPO rate.

IV. COMMISSION ANALYSIS

The Commission does not administratively fix the market prices for gas commodities or ancillary services for Liberty or any other gas utility in our State; the offering prices of the wholesale gas, transportation, and storage suppliers participating in the American gas market, responding to prevailing market conditions, drive this outcome. The Commission does, however, oversee the process used by Liberty for its gas portfolio development, and its calculation of the resultant COG rates, for compliance with statutes, Commission rules and orders, as well as technical accuracy, to ensure just and reasonable rates within this market-driven framework. Likewise, the Commission oversees Liberty's calculation of the LDAC components, and the accuracy thereof, to ensure just and reasonable rates.

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, 64-66 (2005) (citations omitted). The Commission applies the "just and reasonable" ratemaking standard of RSA 374:2 and RSA 378:7 when setting COG rates. *See Northern Utilities, Inc.*, Order No. 25,891 (April 29, 2016). In circumstances where a utility seeks to increase rates, the utility bears the burden of proving the necessity of the increase pursuant to RSA 378:8.

Based on our review of the record in this docket, we find the proposed 2022-2023 winter and 2023 summer COG rates just and reasonable and therefore approve

them. With respect to the FPO rate, we agree with the DOE and OCA that this rate should be decreased to reflect a rate two cents higher than the residential COG rate approved herein. Liberty shall make this adjustment for effect November 1, 2022, while further allowing customers to opt out within ten business days after Liberty sends notification of the decrease.

We also approve Liberty's LDAC rate components as presented at hearing. Because the COG and LDAC rate components are reconciled each year, any adjustments needed to reconcile actual costs and revenues will be made in filings for rates effective later in 2023 and 2024. In addition, any issues discovered during DOE audits, either pending or future, should be raised to Commission if not resolved between Liberty and the DOE. In addition, with regard to Liberty's LDAC rates, we note that some of the rate elements may be adjusted by Commission decisions in other dockets during the course of the LDAC rate period, November 1, 2022, to October 31, 2023. If those Commission decisions impact the LDAC rate, further proceedings for an interim rate adjustment during the LDAC period will be held as appropriate.

In issuing our approvals, we defer questions of the advisability of re-instituting separate winter and summer COG review proceedings to the IR 22-053 investigation. For the time being, we expect that any issues of volatility, as indicated by Liberty, can be dealt with by the COG rate features discussed below. As in the past, Liberty may, without further Commission action, adjust its approved 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 25 percent above the approved rate. This 25% adjustment cap was reaffirmed in last year's COG proceeding. *See* Order No. 26,541 at 10 (October 29, 2021).

Based upon the foregoing, it is hereby

ORDERED, that Liberty’s 2022-2023 winter period COG per therm rates effective for service rendered on or after November 1, 2022, and its 2023 summer period per therm rates effective on and after May 1, 2023, after approved as indicated in the table that follows:

| | Winter 2022-2023 | Winter Maximum Rates | LDAC |
|-----------------------------|------------------|----------------------|-----------|
| Residential | \$1.4300 | \$1.7875 | \$0.1110 |
| Residential FPO | \$1.4500 | | \$0.1110 |
| C&I - LLF (High winter use) | \$1.4296 | \$1.7870 | \$0.08880 |
| C&I - HLF(Low winter use) | \$1.4301 | \$1.7876 | \$0.08880 |

| | Summer 2023 | Summer Maximum Rates | LDAC |
|-----------------------------|-------------|----------------------|-----------|
| Residential | \$1.02690 | \$1.28363 | \$0.11100 |
| C&I - LLF (High winter use) | \$1.02660 | \$1.28325 | \$0.08880 |
| C&I - HLF(Low winter use) | \$1.02710 | \$1.28388 | \$0.08880 |

and it is

FURTHER ORDERED, that Liberty may, without further Commission action, adjust its approved 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 a maximum rate of 25 percent above the approved rate (said maximum rates identified in the table above), with no limitations 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 annotated tariff pages and revised rate schedules under

separate cover letter if Liberty elects to adjust COG rates, with revised annotated tariff pages to be filed; 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 LDAC per therm rates effective for service rendered on or after November 1, 2022, through October 31, 2023, \$0.11100 and \$0.08880 for residential and C&I customers respectively, are approved subject to interim adjustment of the LDAC as set forth herein above; and it is

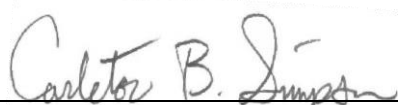
FURTHER ORDERED, that Liberty's proposed Company's gas allowance factor of 2.5 percent is approved, as are the other changes contained in the COG filing; and it is

FURTHER ORDERED, that Liberty shall file annotated tariff pages as required by N.H. Code Admin. R., Puc 1603 conforming to this order within fifteen (15) days of the date of this order, or November 15, 2022.

By order of the Public Utilities Commission of New Hampshire this thirty-first day of October, 2022.



Daniel C. Goldner
Chairman



Carleton B. Simpson
Commissioner

Service List - Docket Related

Docket#: 22-045

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