

**STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION**

Docket No. DG 23-076
Liberty Utilities (Energy North Natural Gas) Corp. d/b/a Liberty
Winter 2023-2024 Cost of Gas (COG Supply)

Technical Statement of Faisal Deen Arif, Gas Director &
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The New Hampshire Department of Energy (“DOE” or the “Department”) submits this technical statement in compliance with the Public Utilities Commission (“PUC” or the “Commission”) Order announcing the Commencement of Adjudicative Proceeding and Notice of Hearing dated September 19, 2023 in docket DG 23-076. The purpose of this statement is to provide the Commission with required information and a framework for understanding DOE’s position in advance of the Cost of Gas (“COG Supply”) hearing scheduled for October 19, 2023 at 9:00 a.m.

As explained below, after review and analysis, the DOE recommends that the Commission review and approve Winter 2023/2024 to be effective November 1, 2023 and Summer 2024 rates to be effective May 1, 2024, in this instant docket. The DOE also recommends that in the future Liberty Utilities (Energy North Natural Gas) Corp. d/b/a Liberty (“Liberty”, “Liberty-ENNG”, or “the Company”) provide the DOE Director of the Consumer Division with a copy of the Fixed Price Option (FPO) Letter when it makes its initial filing. This will allow DOE to provide input on the letter’s clarity and timeline. The Department understands that the Company is agreeable to this request.

Background

The initial filing by Liberty into this docket was made on September 1, 2023 as per the schedule identified in Docket DG 23-027, accepted by all parties. The Department issued two sets of Data Request (DR) – first, on September 8, 2023, and second, on September 22, 2023. A supplemental DR Set-2 was issued on September 29, 2023 as well. The responses to the DRs were received on September 18, October 3 and 10, 2023 respectively. Additionally, two technical sessions were held on September 19, 2023 and October 12, 2023.

The analysis presented in the current note takes all received information into account and makes every effort to be as exhaustive as possible given the challenging and expedited timeline.

Filing Facts and DOE Analysis

Therm Sales Projection

- The projected total sales over Winter 2023/2024 (i.e., November 2023 to April 2024) period for Liberty-ENNG is 137,792,926 therms, of which 54,340,823 (or 39.4%) is for residential, 40,227,498 (or 29.2%) is

for C&I, and 43,224,605 (or 31.4%) is for the transportation sector. When compared to the last year's filing for projected Winter 2022/2023 sales, DOE notes that the total projected sales were 135,903,904. That is, this year the projected sales are up by 1,889,022 therms for the Winter period.

- The projected total sales over Summer 2024 (i.e., May 2024 to October 2024) period for Liberty-ENNG is 48,687,823 therms, of which 13,571,332 (or 27.9%) is for residential, 11,171,330 (or 22.9%) is for C&I, and 23,945,162 (or 49.2%) is for the transportation sector. When compared to the last year's filing for projected Summer 2023 sales, the Department notes that the commensurate total sales figure was 47,659,695. That is, this year's projected sales are up by 1,028,128 therms for the Summer period.

- Overall, for the COG season 2023/2024 the projected therm sales is up by 2,917,150 therms as compared to the last season.

Proposed COG Rates

- The proposed Winter 2023/2024 (i.e., November 2023 to April 2024) rates are as follows:

| Beginning Period (per therm rate) | Non-FPO Rates: Winter 2023/2024 | Maximum Rates: Winter 2023/2024 | FPO Rates: Winter 2023/2024 |
|--|--|--|--|
| Residential (excluding GAP) | \$0.6175 | \$0.7719 | \$0.6375 |
| Residential - GAP Customers | \$0.3396 | \$0.4245 | \$0.3506 |
| C&I - LLF (High Winter Use) | \$0.6173 | \$0.7716 | - |
| C&I - HLF (Low Winter Use) | \$0.6185 | \$0.7731 | - |

- The proposed Summer 2024 (i.e., May 2023 to October 2024) rates are as follows:

| Beginning Period (per therm rate) | Non-FPO Rates: Summer 2024 | Maximum Rates: Summer 2024 |
|--|---------------------------------------|---------------------------------------|
| Residential – all customers | \$0.6267 | \$0.7834 |
| C&I - LLF (High Winter Use) | \$0.6261 | \$0.7826 |
| C&I - HLF (Low Winter Use) | \$0.6273 | \$0.7841 |

- The Department looked through the calculations for proposed COG rates as presented and generally concurs to the calculation methodologies used to devise the proposed rates.

Bill Impacts

- The Department notes that the bill impacts submitted in the initial filing by the Company make a comparison between this year's proposed COG and LDAC rates as compared to last year's actual COG and LDAC rates. Given the bifurcation of COG and LDAC proceedings, the current LDAC rates remain in effect until January 31, 2024. As such, in the opinion of the Department, the current bill comparison, as presented in Company's initial filing, may need to be updated keeping existing LDAC rates in place.

- This issue was highlighted during technical session discussion and was further pursued through Data Request. See Exhibit 4, DOE 1-3.

Proposed LDAC Rates

- The Department acknowledges the filing of the proposed LDAC rates as submitted by the Company on August 21, 2023. Due to the bifurcation (per Docket DG 23-027) of COG rates from LDAC rates, the current technical note does not provide Department's position on the proposed LDAC rates at this time. This will be provided separately either in the instant docket or in a separate LDAC docket should the Commission decide to open one.

COG Over/Under Collection Calculation

- The Department notes that the Company appears to have applied rates issued in Order No. 26,737 (November 30, 2022) to the month of November 2022. While the impact may have been *de minimus*, the Company ought to have applied rates approved by the Commission in Order No. 26,715 (October 31, 2022) to be effective November 1, 2022.

- For the 2023/2024 COG season, the Company identified a prior period under-collection of \$4,519,276 from Summer 2023. This necessitated a rate increase of 71.3% to the maximum allowed Summer 2023 rates, performed by the Company through trigger filing on September 22, 2023 (see DOE letter on September 26, 2023 in Docket DG 22-045). In the context of current COG proceeding, the Department pursued the underlying reason(s) for such drastic and significant rate changes via a Data Request. An inadvertent error in using estimated "sales and rates instead of actuals [revenue] from deferral accounts" during Summer 2023 appears to be the reason. See Company's response to DOE 2-13.

- While the DOE concurs with the calculation, the Department expects the Company to avoid such errors in the future to relieve ratepayers from avoidable price shocks.

COG Components

- Over November 2023 to April 2024 period, total projected adjusted direct and indirect supply Cost of Gas ("COG") sendout is \$58,394,850. The composition of this total projected cost is as follows:

| Category | Amount (\$) | % of Adjusted Total Cost |
|---------------------|----------------------------|--------------------------|
| Commodity Cost | \$59,033,914 | 101.1% |
| Demand Charges | \$12,479,766 | 21.4% |
| Hedging Cost | (\$4,351,724) ¹ | -7.5% |
| Adjustments | (\$12,439,637) | -21.3% |
| Indirect Cost | \$3,672,531 | 6.3% |
| Adjusted Total Cost | \$58,394,850 | 100.0% |

- Over May 2024 to October 2024 period, total projected adjusted direct and indirect supply Cost of Gas ("COG") sendout is \$58,394,850. The composition of this total projected cost is as follows:

| Category | Amount (\$) | % of Adjusted Total Cost |
|---------------------|--------------|--------------------------|
| Commodity Cost | \$2,918,086 | 18.8% |
| Demand Charges | \$3,222,250 | 20.8% |
| Adjustments | \$8,554,550 | 55.2% |
| Indirect Cost | \$811,547 | 5.2% |
| Adjusted Total Cost | \$15,506,433 | 100.0% |

¹ A figure in parenthesis indicates a negative cost.

Tariff Language Issues

• In light of the bifurcation of COG rates from LDAC rates this year, the Department notes several issues needing Commission's attention in terms of the current Tariff 11 language that governs the contractual agreement between a customer and the Company:

- The bifurcation implies that the existing LDAC rate (as ordered in Order No. 26,737 in DG 22-045) is proposed to continue to be in effect until January 31, 2024. However, per Tariff 11, no LDAC rate would be in effect starting November 1, 2023 unless the Commission approves the existing LDAC rates.
- This change would require certain modifications to Tariff 11. The Department wholly relied upon and continues to rely upon Liberty-ENNG's expertise in identifying all tariff pages necessary and sufficient to accomplish the division of the COG and LDAC into different schedules within a single docket. Any errors or omissions, therefore, are the responsibility of the Company.
- Only to support the process, per discussion with the Company on October 12, 2023 technical session, the Department is providing sample alternative tariff language to move the docket forward. Please see the Department's "track changes" edits based upon the Company's tariff pages filed on August 30, 2023 in DG 22-045. See Attachment regarding proposed tariff language.
- If the Company has concerns about any of the Department's proposed edits since Liberty-ENNG alone bears responsibility for its own tariff, the Company is urged to immediately identify those concerns to the parties.
- The Department anticipates that during the October 19, 2023 hearing the Commission will adjudicate any remaining differences of opinion among the parties regarding necessary and sufficient tariff language. See Order No. 26,872 (August 14, 2023).

DOE Recommendations

The DOE recommends that:

- The Commission review and approve Winter 2023/2024 rates to be effective November 1, 2023.
- The Commission review and approve Summer 2024 rates to be effective May 1, 2024.
- The Company provide the FPO letter with its filing for the next winter COG in September, 2024.