

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

Docket No. DG 23-076
Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty
2023-2024 Local Delivery Adjustment Charges (LDAC)

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Department of Energy, Division of Regulatory Support
December 5, 2023

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 necessary information and a framework for understanding DOE’s position in advance of the hearing on the Local Delivery Adjustment Charges (“LDAC”), scheduled for January 17, 2024 at 9:00 a.m.

As explained below, after review and analysis, the DOE recommends that the Commission review and approve 2024/2025 LDAC to be effective February 1, 2024 (until January 31, 2025) in this instant docket.

1. Background

The initial Local Distribution Adjustment Charge (LDAC) filing by Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty (“Liberty”, “Liberty-ENNG”, or “the Company”) into this docket was made on August 21, 2023, as per the schedule identified in Docket DG 23-027, accepted by all parties. The Company made an updated LDAC filing on September 22, 2023 to translate the Commission Order Nisi No. 26,873 (Aug. 14, 2023), where the Commission changed the effective date of adjustments to most rate components of the LDAC from November 1 to February 1. The Department issued two sets of Data Request (DR) – first, on September 8, 2023, and second, on October 30, 2023. The responses to the DRs were received on November 9, 2023. Additionally, a technical session was held on November 17, 2023.

The analysis presented in the current statement takes all received information into account and makes every effort to be as exhaustive as possible.

2. Filing Facts and DOE Observations

The updated LDAC filing on September 22, 2023 contains the proposed LDAC rates of \$0.1921 for residential customers and \$0.0810 for commercial and industrial customers. The proposed LDAC rates in the initial filing on August 21, 2023 was \$0.1974 for residential customers and \$0.0887 for commercial customers. The existing LDAC rates are \$0.1180 for residential and \$0.0957 for commercial customers.

In the initial LDAC filing, the therm sales projection for EnergyNorth and Keene Division was 184.93 million therms (specifically, 184,926,232 therms) for the 12-months period over November 1, 2023 – October 31, 2024. In the updated LDAC filing (dated Sep 22, 2023), the reported therm sales projection is 185.72 million therms (specifically, 185,717,888 therms) for the 12-months period starting February 1, 2024 – January 31, 2025, the new 12-month LDAC period. This timing difference led to a projected therm sales increase of approximately 791k therms (more specifically, 791,656 therms) in the updated filing. Since all proposed rates are subject to projected therm sales¹, the LDAC rate changes as the projected therm sales changes. This is the primary driver of differences between the initially proposed LDAC rate and the updated (i.e., revised) LDAC rate.

2.1 Revenue Decoupling Adjustment Factor (RDAF)

RDAF ask for Decoupling Year (DY)5, spanning September 1, 2022 to August 31, 2023, is one of the components of Liberty's current LDAC filing. As per the filing, the Company estimates that DY5 ask represents an under-collection of approximately \$5.4 million. See Liberty's Testimony of Culbertson and Yusuf (August 21, 2023) at Bates 009-010 (estimating RDAF under collection for DY4 and DY5 collectively as \$9,175,597, of which DY4 is \$3,733,697 and the remaining, \$5,441,900 is for DY5).

Given that the Department requested to carve out the requested \$5.4 million for greater review and analysis, but supports the collection of the same amount by the Company on an *interim* basis², this technical statement does not comment on Liberty's RDAF ask for DY5. A separate technical statement will be provided at a later date with an in-depth analysis of this issue.

As such, in what follows next, the Department provides its observations on other components of the proposed LDAC rate.

¹ All reconciliatory components (e.g., PTAM, GAP etc.) that make up the compository LDAC rate are divided by the projected therm sales to derive individual rates. The sum of all those individual rates make up the proposed LDAC rate.

² Please see DOE letter dated December 5, 2023 in Docket No. DG 23-076.

2.2 Other LDAC Components

As filed by Liberty, the current and proposed LDAC (for February 1, 2024 – January 31, 2025) component rates are as follows:

Table 1: Current and Proposed LDAC Component Rates (For Residential Customers)

Residential LDAC Components	Current (per therm)	Proposed (per therm)	Current vs. Proposed Difference	% change between Current & Proposed
Energy Efficiency	\$0.0667	\$0.0699	\$0.0032	4.80%
Gas Holder (A)	\$0.0000 ³	\$0.0006	\$0.0006	
MGP (B)	\$0.0076	(\$0.0005)	(\$0.0081)	-106.58%
Environmental Total (A + B)	\$0.0076	\$0.0001	(\$0.0075)	-98.68%
PTAM	\$0.0124	\$0.0106	(\$0.0018)	-14.52%
RCE ⁴	\$0.0111	(\$0.0049)	(\$0.0160)	-144.14%
GAP ⁵	\$0.0203	\$0.0106	(\$0.0097)	-47.78%
Total LDAC (without RDAF)	\$0.1180	\$0.0862	(\$0.0318)	-26.95%

As indicated in Table 1, the Department notes that most of the proposed residential sector LDAC components are lower than the existing LDAC component rates except for the Energy Efficiency Charge, which is 4.80% higher than the current rate; consistent with the House Bill 549 dated February 24, 2022⁶. There is no Gas Holder Surcharge in the current LDAC rates in accordance with PUC Order No. 26,692 and the proposed Gas Holder Surcharge is \$0.0006. The proposed Environmental Services (Gas Holder Surcharge + MGP Surcharge) rates are lower than the current rates by 106.58% and 98.68% respectively. The Property Tax Adjustment Mechanism (PTAM), Rate Case Expenses (RCE) and Gas Assistance Program (GAP) rates are lower than the current rates by 14.52%, 144.14% and 47.78% respectively. If we consider the overall LDAC rates without RDAF for residential customers, the proposed rates are 26.95% lower than the current rates.

³ Per Order No. 26,692, the 2021/22 Relief Holder and Pond at Gas Street, Concord and RDAF to be reviewed on a longer timeframe from rest of LDAC components effective November 1, 2022.

⁴ Per September 22, 2023 updated filing, the Rate Case Expense (RCE) account registers an over-collection of \$900,849, resulting in a per therm rate reduction for the RCE component of LDAC.

⁵ Per September 22, 2023 updated filing, the Gas Assistance Program (GAP) account registers an overall program costs of \$1,963,385. This under-collection results in a per therm rate of \$0.0106 for the GAP component of LDAC.

⁶ Energy Efficiency Charge (EEC) effective January 1, 2023 – December 31, 2023 has been 0.0667 and the proposed EEC rate per September 22, 2023 updated LDAC filing is 0.0699. Consistent with House Bill 549, on December 1, 2023, Liberty submitted its EEC rate of \$0.700 in Docket No. DE 23-068 to be effective January 1, 2024 – December 31, 2024. This rate is 4.9% higher than the existing EEC rate of \$0.0667, reflecting the calculated 3-yr average inflation adjustment factor (based on the US Bureau of Labor Statistics CPI-W data for the Northeast Region).

Table 2: Current and Proposed LDAC Component Rates (For C&I Customers)

C&I LDAC Components	Current (per therm)	Proposed (per therm)	Current vs. Proposed	% change between Current & Proposed
Energy Efficiency	\$0.0444	\$0.0466	\$0.0022	4.95%
Total LDAC (without RDAF)	\$0.0957	\$0.0629	(\$0.0328)	-34.27%

The LDAC components rates for the C&I customers are the same as the residential customers except for the Energy Efficiency Charge, which is 4.95% higher than the current rate as per House Bill 549⁷. Overall, for the C&I sector, the proposed LDAC rate without RDAF are 34.27% lower than the current rate.

Table 3: Initial and Updated LDAC Component Rates (For Residential Customers)

Residential LDAC Components	Initial Filing (Aug 2023) (per therm)	Updated Filing (Sep 2023) (per therm)	Initial vs. Updated	% change between Initial & Updated Filing
Energy Efficiency	\$0.0667	\$0.0699	\$0.0032	4.80%
Gas Holder	\$0.0002	\$0.0006	\$0.0004	200.00%
MGP	\$0.0018	(\$0.0005)	(\$0.0023)	-127.78%
Environmental Total	\$0.0020	\$0.0001	(\$0.0019)	-95.00%
PTAM	\$0.0157	\$0.0106	(\$0.0051)	-32.48%
RCE	(\$0.0004)	(\$0.0049)	(\$0.0045)	-
GAP	\$0.0093	\$0.0106	\$0.0013	13.98%
Total LDAC (without RDAF)	\$0.0932	\$0.0862	(\$0.0070)	-7.51%

For residential customers in the updated filing on September 22, 2023, the rates for Environmental Services (Gas Holder Surcharge + MGP Surcharge) fell by 95% in the updated filing. The PTAM also decreased by 32.48%; however, the GAP increased by 13.94%. Overall the residential LDAC rate without RDAF fell by 7.51%.

⁷ Energy Efficiency Charge (EEC) effective January 1, 2023 – December 31, 2023 has been 0.0444 and the proposed EEC rate per September 22, 2023 updated LDAC filing is 0.0466. Consistent with House Bill 549, on December 1, 2023, Liberty submitted its EEC rate of \$0.0466 in Docket No. DE 23-068 to be effective January 1, 2024 – December 31, 2024. This rate is 4.9% higher than the existing EEC rate of \$0.0444, reflecting the calculated 3-yr average inflation adjustment factor (based on the US Bureau of Labor Statistics CPI-W data for the Northeast Region).

Table 4: Initial and Updated LDAC Component Rates (For C&I Customers)

C&I LDAC Components	Initial Filing (Aug 2023) (per therm)	Updated Filing (Sep 2023) (per therm)	Initial vs. Updated	% change between Initial & Updated Filing
Energy Efficiency	\$0.0444	\$0.0466	\$0.0022	4.95%
Total LDAC (without RDAF)	\$0.0709	\$0.0629	(\$0.0080)	-11.28%

For the C&I customers, the overall C&I LDAC rates without RDAF fell by 11.28%.

2.3 Customer Bill Impact

As filed by the Company, the customer bill impact of the current and proposed (for February 1, 2024 - January 31, 2025) LDAC rates without RDAF are as follows:

Table 5: Typical Customer Bill Impact (without RDAF)

Sector	LDAC Amount (without RDAF) (Feb 2023-Jan 2024)	LDAC Amount (without RDAF) (Feb 2024-Jan 2025)	% change
R-3 - Residential	\$86.98	\$68.63	-21.10%
G-41 - C&I - LLF (High Winter Use)	\$232.76	\$157.16	-32.48%
G-42 - C&I - LLF (High Winter Use)	\$2,224.45	\$1,501.76	-32.49%
G-52 - C&I - HLF (Low Winter Use)	\$2,026.60	\$1,364.98	-32.65%

As provided in Table 3, the Department observes that the bill impact due to LDAC (without RDAF) is negative; meaning the LDAC portion of the customer bills is decreasing for both residential and C&I customers.

Table 6 below provides the bill impact for an average customer with Liberty's RDAF claim of \$5.4 million.

Table 6: Typical Customer Bill Impact (with RDAF)

Sector	LDAC Amount (without RDAF) (Feb 2023-Jan 2024)	LDAC Amount (with RDAF) (Feb 2024-Jan 2025)	% change
R-3 - Residential	\$86.98	\$152.74	75.60%
G-41 - C&I - LLF (High Winter Use)	\$232.76	\$202.04	-13.20%
G-42 - C&I - LLF (High Winter Use)	\$2,224.45	\$1,930.62	-13.21%
G-52 - C&I - HLF (Low Winter Use)	\$2,026.60	\$1,754.78	-13.41%

Based on Table 6, the Department notes that the bill impact with RDAF is positive (in absolute terms), where the impact is visible and significant for the residential sector. This further underscores the significance of RDAF claims on the overall proposed LDAC rate.

3. DOE Recommendation

Based on the overall review, the Department recommends that the Commission review and approve Liberty's Winter 2023/2024 and Summer 2024 LDAC rate to be effective February 1, 2024.