

**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

Winter 2023-2024 and Summer 2024 Cost of Gas and LDAC Filing

DOE Response to the Company's Updated Filing Dated October 23, 2023 (COG Supply)

Supplemental Technical Statement of Faisal Deen Arif, Director, Gas Division &

Ashraful Alam, Utility Analyst, Gas Division

Department of Energy, Division of Regulatory Support

October 26, 2023

Background

A hearing was held in this docket on October 19, 2023. See *Commencement of Adjudicative Proceeding and Notice of Hearing* (Sept. 19, 2023). At that time, Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty ("Liberty", "Liberty-ENNE", or "the Company"), first identified a \$6 million dollar accounting error stemming from its new billing system, requiring a \$12.2 million adjustment for Winter and a \$14.1 million adjustment for Summer rates. The correction was anticipated to require a substantial reduction in the Winter 2022/2023 (over)¹-collection and a substantial reduction in the Summer 2022 under-collection, as initially identified in the September 1, 2023 filing. This adjustment required the Company to propose new Cost of Gas ("COG") rates.

At hearing, the Commission accepted the parties' proposal that the Company make an updated filing on October 23, 2023, inclusive of an updated response to DOE 1-3, DOE 1-4, a supplemental fixed price option (FPO) process, and updated Company tariff pages. See Exhibits 4 – 6. The New Hampshire Department of Energy ("DOE" or the "Department") agreed to review and submit a supplemental technical statement on the Company's updated filing and related materials on or before October 26, 2023.

The current technical statement updates the *Department's Technical Statement of Arif and Alam* dated October 13, 2023 and accepted in evidence as Exhibit 3. See also the *Department's Technical Statement of Director of Consumer Services Amanda O. Noonan, Regarding FPO Program* (filed October 26, 2023).

¹ As is presented in Liberty's filing, and for clarity's sake, references to (over)-collection are made with a parenthetical as opposed to an under-collection, which are stated without a parenthetical.

Summary

After review and analysis, subject to:

- i) Future DOE Audit Final Reports for both the Winter 2022/2023 and Summer 2023 periods;
- ii) Updated Company Winter 2022/2023 Reconciliation Report and Summer 2023 Reconciliation Report; and
- iii) The Department's position that interest (i.e., carrying) charges and additional Fixed Price Option (FPO) program costs due to Company error ought not be passed to the ratepayers;

the DOE finds that Liberty's rate updates are consistent with the proposed adjustments. In the opinion of the Department, some additional process will be required to resolve carrying charges and FPO expenses, and may be required to sufficiently inform potential FPO enrollees of a substantial change in rates.

Accordingly, the Department recommends that:

- The Commission approve the updated Winter 2023/2024 rates to be effective November 1, 2023 subject to the preceding caveats and likely future process(es). By way of example, the updated Winter 2023/2024 non-FPO residential recommended rate for approval is \$0.7563 per therm instead of \$0.6175 per therm as initially proposed. See Liberty's Updated Filing, Bates 122.
- The Commission approve Summer 2024 rates to be effective May 1, 2024, subject to issues identified above and to an updated Summer 2024 rates filing on or about March 2024. By way of example, the updated Summer 2024 Residential rate is \$0.0187 per therm instead of \$.6267 per therm as initially proposed. See Liberty's updated filing, Bates 122. Also see Section V, "DOE Recommendations" *infra* (including additional requests for relief).
- Please see also the Technical Statement of DOE Consumer Services Director Amanda O. Noonan regarding FPO program (filed October 26, 2023).

Topics

This supplemental technical statement covers the following topics:

- I. Context of the Current Cost of Gas Filing;
- II. Monthly Adjustments/Trigger filings 2022-2023 and (Over)/Under-Collection;
- III. October 23, 2023 Updated Filing: Facts and DOE Analysis (including bill impact tables, Table 2.1.3 and 2.2.3, illustrating a decrease in winter and summer rates as compared to the previous periods);
- IV. Tariff Issues to Fully Separate COG and LDAC Processes Prior to November 1, 2023;

- V. Other Issues; and
- VI. Department Recommendations.

I. Context of the Current Cost of Gas Filing

The initial filing by Liberty into this docket was made on September 1, 2023, as per the schedule identified in Docket No. DG 23-027. See Order No. 26,872 (Aug. 14, 2023) at 3. 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. Most recently, as requested at hearing, Liberty provided supplemental data responses to DOE DR 1-3 and DR 1-4. Those responses are included as Attachment 1.

The initial hearing was scheduled and held on October 19, 2023. At that time, as described above, Liberty informed the Department that the Company had made a mistake in calculating the prior periods (over)/under-collections. The Company filed an updated Cost of Gas (“COG”) model rectifying the issues on October 23, 2023 with re-calculated COG components, COG rates and illustrative bill impacts and prior period balances. As suggested by the Department, see Exhibit 4, Bates 05-06, for the purposes of illustrating the customer bill impacts for each period, the Company’s updated filing uses the Local Distribution Adjustment Charges (LDAC) of \$0.1180 per therm, currently in effect, for the entire winter and summer periods. See Liberty’s updated filing dated October 23, 2023 Bates 038-043 (Winter) and 105-108 (Summer). The analysis presented in this technical statement takes all received information into account and makes every effort to be as exhaustive as possible given the challenging and expedited timeline.

II. Monthly Adjustments/Trigger filings 2022-2023 and (Over)/Under-Collection

- In the opinion of the Department, due to three mis-recording of winter and summer period COG revenues in the appropriate deferred accounts, during the 2022/2023 season the Company was unable to achieve the purpose of the trigger filings – that is, to minimize the (over)/under-collection of COG account balances. See Exhibit 4, Bates 40 (Liberty’s response to DOE 1-14). In the Department’s view, this leads to two *avoidable* adverse impacts on customer rates that include the impact on carrying charges², and the impact due to price shocks to the customers (both in terms of cross-sectional and temporal effects of such price shocks). See Attachment 1.³

² The carrying charges and/or interest charges calculation account for the *time value of money*.

³ The Department notes that Liberty’s supplemental response to DOE 1-4 does not provide an explanation of why, in light of a Summer 2022 under-collection of approximately \$5 million as identified in January 2023, see Exhibit 8 – DOE’s *Final Audit Report on Company’s Summer 2022 Reconciliation Report*, the Company’s September 2023 data response persisted in identifying an “initial” (incorrect) \$18 million under-collection for the beginning of the Summer 2023 period. Liberty’s supplemental response also neglects to provide a step-by-step explanation of how

- In Winter 2022/2023 and Summer 2023 season, Liberty made a total of eleven monthly adjustment (i.e., trigger) filings requesting COG rate changes. These monthly adjustments are discussed in greater detail below.

Winter 2022/2023 Trigger Filings

- During Winter 2022/2023 period (i.e., November 1, 2022 through April 30, 2023), the Company made the required (five) monthly trigger filings which are identified below. This summary reflects contemporaneous filings that were made into Docket No. DG 22-045, and does not reflect the most recent \$6 million error that Liberty first identified on October 19, 2023.

Table 1.1: Winter 2022/2023 Tigger Filings

Submission Date	Rate to be Effective as of	Projected Winter (over)/under-collection	Proposed Contemporaneous Rate Changes
November 23, 2022	December 1, 2022	(Over)-collection of approximately (\$14,160,610) or 12.75% of the total revised anticipated gas costs for the 2022–2023 winter season	<ul style="list-style-type: none"> • Residential from \$1.4300 to \$1.2551 • R-4 (GAP rate) from \$0.7865 to \$0.6903 • C&I LLF from \$1.4301 to \$1.2552 • C&I HLF from \$1.4296 to \$1.2547
December 22, 2022	January 1, 2023	Under-collection of approximately \$4.7 million or 3.7% of the total revised anticipated gas costs for the 2022–2023 winter season	<ul style="list-style-type: none"> • Residential from \$1.2551 to \$1.3292 • R-4 (GAP rate) from \$0.6903 to \$0.7311 • C&I LLF from \$1.2552 to \$1.3293 • C&I HLF from \$1.2547 to \$1.3288
January 24, 2023	February 1, 2023	(Over)-collection of approximately (\$36.8) million or 40% of the total revised anticipated gas costs for the 2022–2023 winter season	<ul style="list-style-type: none"> • Residential from \$1.3292 to \$0.4525 • R-4 (GAP rate) from \$0.7311 to \$0.2489 • C&I LLF from \$1.3293 to \$0.4526 • C&I HLF from \$1.3288 to \$0.4521
February 21, 2023	March 1, 2023	(Over)-collection of approximately (\$5.0) million or 6.5% of the total revised anticipated gas costs for the 2022–2023 winter season	<ul style="list-style-type: none"> • Residential from \$0.4525 to \$0.2443 • R-4 (GAP rate) from \$0.2489 to \$0.1344 • C&I LLF from \$0.4526 to \$0.2444 • C&I HLF from \$0.4521 to \$0.2439
March 24, 2023	April 1, 2023	(Over)-collection of approximately (\$1.02)	<ul style="list-style-type: none"> • Residential from \$0.2443 to \$0.1326

the \$18 million under-collection was calculated, which DOE's audit of the Summer 2023 Reconciliation may address.

		million or 1.31% of the total revised anticipated gas costs for the 2022–2023 winter season	<ul style="list-style-type: none"> • R-4 (GAP rate) from \$0.1344 to \$0.0729 • C&I LLF from \$0.2444 to \$0.1327 • C&I HLF from \$0.2439 to \$0.1322
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- Liberty’s Winter 2022/2023 trigger filings (even before Liberty’s October 19, 2023 error), exhibit oscillation of anticipated (over)- and/or under-collection for the winter period, leading to consequential wide swings in COG rates throughout the winter period, even taking into account then prevailing market rates and what Liberty has described as a “time lag” in adjusting rates. The swings are likely a reflection of Liberty’s erroneous booking of COG entries between the winter and summer periods on three separate occasions. See, e.g., Exhibit 4, Bates 40 and James King Testimony at Hearing (\$10.2 million adjustment made in late December 2022; \$6 million adjustment made in March 2022; \$6 million adjustment made on or about October 19, 2023); also see Exhibit 7 (Liberty made \$4.5 million accounting error, that the Company reports impacted trigger adjustments but not rates submitted in this docket, Dkt. No. DG 23-076).

- At the end of the Winter 2022/2023 period, the Company, via its October 23, 2023 updated filing, reported an **under-collection of \$3,674,198**. This is identified as the accurate prior-period under-collection for the proposed Winter 2023/2024 rates as compared to an **(over)-collection of (\$8,577,690)**⁴ Liberty identified in its September 1, 2023 filing for the winter period.

- The Department notes that the Department’s audit of the Company’s Winter 2022/2023 reconciliation report is ongoing. Moreover, the Company will have to update the Winter 2022-2023 Reconciliation Report it filed on September 1, 2023 in Docket No. DG 22-045 to address the \$6 million error. As such, the identification of the prior-period under-collection is subject to the said Audit Report. See Company’s Revised Winter 2022-2023 Reconciliation Report filed in Docket No. DG 22-045 on September 1, 2023, (now outdated in light of the October 19, 2023 \$6 million error).

Summer 2023 Trigger Filings

- During the Summer 2023 period (i.e., May 1, 2023 through October 31, 2023), Liberty submitted six monthly trigger filings, choosing to adjust the initial May 1 rate, in addition to making the five required Summer trigger filings in Docket No. DG 22-045. This is shown in Table 1.2 below. Please note that the summary below does not include Liberty’s \$6 million error, identified on October 19, 2023.

⁴ As is presented in Liberty’s filing, all (over)-collection figures are reported with a parenthetical.

Table 1.2: Summer 2023 Tigger Filings

Submission Date	Rate to be Effective as of	Projected Winter (over)/under-collection	Proposed Contemporaneous Rate Changes ⁵
April 24, 2023	May 1, 2023	Under-collection of approximately \$6,302,042 or 53.14% of the total revised anticipated gas costs for the 2023 summer season	<ul style="list-style-type: none"> • All residential rates from \$1.0269 to \$1.2836 • C&I LLF from \$1.0271 to \$1.2839 • C&I HLF from \$1.0266 to \$1.2833
May 24, 2023	June 1, 2023	(Over)-collection of approximately (\$941,091) or 8.91% of the total revised anticipated gas costs for the 2023 summer season	<ul style="list-style-type: none"> • All residential rates from \$1.2836 to \$1.2438 • C&I LLF from \$1.2839 to \$1.2441 • C&I HLF from \$1.2833 to \$1.2435
June 23, 2023	July 1, 2023	(Over)-collection of approximately (\$569,497) or 5.77% of the total revised anticipated gas costs for the 2023 summer season	<ul style="list-style-type: none"> • All residential rates from \$1.2438 to \$1.2071 • C&I LLF from \$1.2441 to \$1.2074 • C&I HLF from \$1.2435 to \$1.2068
July 25, 2023	August 1, 2023	(Over)-collection of approximately (\$4,103,245) or 51.68% of the total revised anticipated gas costs for the 2023 summer season	<ul style="list-style-type: none"> • All residential rates from \$1.2071 to \$0.8964 • C&I LLF from \$1.2074 to \$0.8967 • C&I HLF from \$1.2068 to \$0.8961
August 24, 2023	September 1, 2023	(Over)-collection of approximately (\$1,597,589) or 26.06% of the total revised anticipated gas costs for the 2023 summer season	<ul style="list-style-type: none"> • All residential rates from \$0.8964 to \$0.7493 • C&I LLF from \$0.8967 to \$0.7496 • C&I HLF from \$0.8961 to \$0.7490
September 22, 2023	October 1, 2023	Under-collection of approximately \$4,519,276 or 77.32% of the total revised anticipated gas costs for the 2023 summer season	<ul style="list-style-type: none"> • All residential rates from \$0.7493 to \$1.2836 (the max allowed rate) • C&I LLF from \$0.7496 to \$1.2839 (the max allowed rate) • C&I HLF from \$0.7490 to \$1.2833 (the max allowed rate)

⁵ For summer period, R-4 (i.e., for low-income customer class) COG rate is the same as the regular residential COG rate.

- As identified in Table 1.2, in Summer 2023, initially Liberty identified an under-collection of \$6.3 million (in April 2023) followed by anticipated (over)-collection of (\$941) thousand (in May) to \$1.5 million (as of August 2023). In the last trigger filing in September 2023, the Company found a \$4.5 million error necessitating a 71.3% rate hike across the board. See Exhibit 7 (Liberty's response to DOE 2-13).
- At the end of the Summer 2023 period, the Company, via its October 23, 2023 updated filing, reported an **(over)-collection of (\$4,190,137)**. This is identified as the accurate prior-period (over)-collection for the proposed Summer 2024 rates in contrast to an **under-collection of \$9,879,800** identified in the initial September 1, 2023 filing.
- The Department notes that the Company has yet to submit its Summer 2023 Reconciliation Report and thus the DOE Audit Division Final Audit Report on the Summer 2023 Reconciliation Report will not be available for some time. As such, the identification of the updated prior-period over-collection is subject to the said audit.

III. October 23, 2023 Updated Filing: Facts and DOE Analysis

1. Therm Sales Projection

- The projected total sales over Winter 2023/2024 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 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.

2. Proposed COG Rates

2.1 Proposed Winter COG Rates

- The updated proposed Winter 2023/2024 rates are as follows:

Table 2.1.1: Proposed Winter 2023/2024 Rates

Beginning Period (per therm rate)	(A) Non-FPO Rates: Winter 2023/2024	Maximum Rates: Winter 2023/2024	FPO Rates: Winter 2023/2024
Residential (excluding GAP)	\$0.7563	\$0.9454	\$0.7763
Residential - GAP Customers	\$0.4160	\$0.5200	\$0.4270
C&I - LLF (High Winter Use)	\$0.7561	\$0.9451	-
C&I - HLF (Low Winter Use)	\$0.7573	\$0.9466	-

Table 2.1.2: COG Rates for Winter 2022/2023 & Percentage Change

Sector	(B) Rates: Effective April 1- 30, 2023	% change between current proposed COG rate (A) & last approved Winter COG rate (B)
Residential (excluding GAP)	\$0.1326	470.4%
Residential - GAP Customers	\$0.0729	470.6%
C&I - LLF (High Winter Use)	\$0.1327	469.8%
C&I - HLF (Low Winter Use)	\$0.1322	472.8%

• As indicated in Table 2.1.2, the Department notes that the proposed residential (for both regular and low-income customers) Winter COG rate this COG Season 2023/2024 is 470% higher than the last approved Winter 2022/2023 rates, as was effective in April 2023. When compared among respective figures for C&I - LLF and C&I - HLF, proposed 2023/2024 rates are higher by 470% and 473% respectively. By and large, the observed increase in the proposed rates appears to be reflective of two separate factors: the gas commodity price in the future market, which is trending higher now than in April 2023; and the large prior-period under-collection of \$3,674,198 reported by the Company in this year's updated filing.

Table 2.1.3: COG Rates for Winter 2023/2024 & Percentage Change with Last Winter

Beginning Period (per therm rate)	Average COG Rates: Winter 2022/2023	Proposed Non-FPO Rates: Winter 2023/2024	\$ Change Inc./ (Decr.)	% Change Inc./Decr. (-)
Residential (excluding GAP)	\$0.8505	\$0.7563	(\$0.0942)	-11.1%
Residential - GAP Customers	\$0.4678	\$0.4160	(\$0.0518)	-11.1%
C&I - LLF (High Winter Use): G-41	\$0.8610	\$0.7561	(\$0.1049)	-12.2%
C&I - LLF (High Winter Use): G-42	\$0.8537	\$0.7561	(\$0.0976)	-11.4%
C&I - HLF (Low Winter Use): G-52	\$0.8273	\$0.7573	(\$0.0700)	-8.5%

• Based on the information provided in the updated filing, Table 2.1.3 provides a rate comparison between average COG rates from last Winter 2022/2023 with that of the proposed rates for this Winter 2023/2024. Unlike Table 2.1.2, for the proposed rates, the figures in Table 2.1.3 show a decrease of 11.1% for residential rates and 12.2% to 8.5% for C&I rates between the prior winter periods average rates and the updated proposed rates for the 2023-2024 winter period.

2.2 Proposed Summer COG Rates

- The updated proposed Summer 2024 rates are as follows:

Table 2.2.1: Proposed Summer 2024 Rates

Beginning Period (per therm rate)	(C) Non-FPO Rates: Summer 2024	Maximum Rates: Summer 2024
Residential – all customers	\$0.0187	\$0.0234
C&I - LLF (High Winter Use)	\$0.0181	\$0.0226
C&I - HLF (Low Winter Use)	\$0.0193	\$0.0241

Table 2.2.2: COG Rates for Summer 2023 & Percentage Change

Sector	(D) Rates: Effective October 1-31, 2023	% change between current proposed COG rate (C) & last approved Winter COG rate (D)
Residential	\$1.2836	-98.5%
C&I - LLF (High Winter Use)	\$1.2839	-98.6%
C&I - HLF (Low Winter Use)	\$1.2833	-98.5%

- As indicated in Table 2.2.2, DOE observes that the proposed residential Summer 2024 COG rates this 2023/2024 Season is 98.5% lower than the last approved Summer 2023 rates, as was effective in October 2023. When compared among similar figures for C&I - LLF and C&I - HLF, proposed Summer 2024 rates are lower by 98.6% and 98.5% respectively. The observed reduction in the proposed rates is likely motivated by a number of factors that includes among others the change in the future gas market prices, and the large prior-period (over)-collection of (\$4,190,137) reported by the Company in this year's updated filing.

Table 2.2.3: COG Rates for Summer 2024 & Percentage Change with Last Summer

Beginning Period (per therm rate)	Average Non-FPO Rates: Summer 2022	Proposed Non-FPO Rates: Summer 2024	\$ Change Inc./Decr.)	% Change Inc./Decr. (-)
Residential – all customers	\$1.1688	\$0.0187	(\$1.1501)	-98.4%
C&I - LLF (High Winter Use): G-41	\$1.1821	\$0.0181	(\$1.1640)	-98.5%
C&I - LLF (High Winter Use): G-42	\$1.1711	\$0.0181	(\$1.1530)	-98.5%
C&I - HLF (Low Winter Use): G-52	\$1.1201	\$0.0193	(\$1.1008)	-98.3%

- Using the information provided in the updated filing, Table 2.2.3 provides a rate comparison between average COG rates from last Summer 2023⁶ with that of the proposed rates for upcoming Summer 2024. For the proposed summer rates, the figures in Table 2.2.3 show a decrease of roughly 98.5% for both residential and C&I rates. This is likely a direct consequence of the large prior-period (over)-collection of (\$4,190,137) reported by the Company in this year's updated filing for Summer 2024.

⁶ The average Summer 2023 rate calculation adopts the proposed October 2023 rates to be effective as was submitted by Liberty in September 22, 2023 trigger filing. See the last row of Table 1.2 for reference.

3. Bill Impacts Due to COG Rate Changes

Table 3: Winter and Summer Bill Impacts

Rate Class	Winter				Summer ⁷			
	Therm Use	Total Bill: 2023/24	\$ Change (as compared to 2022/23)	% change	Therm Use	Total Bill: 2023/24	\$ Change (as compared to 2022/23)	% change
R-3 (Residential-Heating)	640	\$1,046.55	- \$77.99	- 6.9%	155	\$209.48	- \$153.51	- 42.3%
R-3 FPO (Residential Heating)	640	\$1,059.35	- \$448.85	- 29.8%	-	-	-	-
R-4 GAP (Residential-Heating)	640	\$609.63	- \$269.97	- 30.7%	-	-	-	-
G-41 (C&I)	2,111	\$2,970.55	- \$203.85	- 6.4%	383	\$556.83	- \$380.16	- 40.6%
G-42 (C&I)	19,238	\$24,226.96	- \$2,068.66	- 7.9%	4,595	\$3,357.89	- \$4,038.90	- 54.6%
G-52 (C&I)	13,309	\$15,260.63	- \$994.80	- 6.1%	8,298	\$3,442.55	- \$8,321.32	- 70.7%

- As provided in Table 3, for the selected group of rate classes, using Liberty's updated filing (dated October 23, 2023), the typical bill impacts appear to be a decrease in bills for both Winter 2023/2024 and Summer 2024 period.
- The Department notes that the bill impacts submitted in the updated filing by the Company make a comparison between this year's proposed COG (keeping the existing LDAC rates) as compared to last year's actual COG rates (along with the same LDAC rates). Given the bifurcation of COG and LDAC proceedings, the current LDAC rates remain in effect until January 31, 2024. As such, the bill comparison shown in the updated filing reflects the impact on customer bills due to the change in the COG rates alone. See Liberty updated filing (dated October 23, 2023) Bates 038-043 and 105-108.

4. 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 No. 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, in the future, in the instant docket.

5. COG Components

- Over November 2023 to April 2024 period, total projected adjusted direct and indirect supply Cost of Gas ("COG") sendout is \$71,529,399. The composition of this total projected winter cost is provided in the second column of Table 4.1. For the Summer period spanning May to October 2024, the total projected adjusted direct and indirect supply COG sendout is \$461,254. The

⁷ Summer period does not offer an FPO rate, nor does it offer a separate rate for low-income residential (i.e., R-4 rate class) customers. As such, all residential customers pay the same rate in the summer period.

Summer composition of this total projected cost is provided in column three of Table 4.1. The total projected adjusted costs for the whole 2023/2024 season is provided in the final column.

Table 4.1: Components of Winter COG Rates

Category	Winter	Summer	2023/2024 Season
Commodity Cost	\$59,033,914	\$5,856,178	\$64,890,092
Demand Charges	\$12,479,766	\$3,222,250	\$15,702,016
Hedging Cost	(\$4,351,724) ⁸	(\$2,938,092)	(\$7,289,816)
Adjustments	\$666,498	(\$6,457,999)	(\$5,791,501)
Indirect Cost	\$3,700,945	\$778,917	\$4,479,862
Adjusted Total Cost	\$71,529,399	\$461,254	\$71,990,653

- Table 4.2 provides a distribution of the COG cost components between the two periods.

Table 4.2: Distribution of COG Rate Components Between Winter & Summer Periods

Category	Winter	Summer	2023/2024 Season
Commodity Cost	82.0%	8.1%	90.1%
Demand Charges	17.3%	4.5%	21.8%
Hedging Cost	-6.0%	-4.1%	-10.1%
Adjustments	0.9%	-9.0%	-8.0%
Indirect Cost	5.1%	1.1%	6.2%
Adjusted Total Cost	99.4%	0.6%	100.0%

IV. Tariff Changes to Separate COG and LDAC Before November 1, 2023

At hearing, Liberty agreed to file updated tariff pages into this docket to address concerns the Department raised to fully separate the COG and LDAC processes. See *Technical Statement of Arif and Alam* (Oct 13, 2023) (discussing tariff pages, identified by the Company, 33, 34, 35, 38, 39, 40, 41, 42, 42A, 101); October 19, 2023 Hearing Transcript. In the opinion of the DOE, best practice would be to make the tariff pages effective on or before November 1, 2023, with “compliance filings” for tariff pages filed on September 1, 2023, adjusting actual rates to be filed fifteen days thereafter. As of this filing, the Company has/has not filed updated tariff pages.

V. Other Issues

The Department wishes to bring to the Commission’s attention that the Company has omitted Schedule 18, stating in the Table of Contents “N/A Cost of Gas Reconciliation is no longer included in this filing.” The Department notes the cost of gas reconciliation has been included

⁸ A figure in parenthesis indicates a negative cost.

as Schedule 3 of the live Excel Spreadsheets the Company filed contemporaneously with its updated filing. The Department is unaware of any change that would make omitting a PDF Schedule 18 appropriate.

VI. DOE Recommendations

The DOE makes the following recommendations:

- In the opinion of the Department, for greater accuracy, recency, and to benefit from the Department's Final Audit of Liberty's Winter 2022-2023 and Summer 2023 Reconciliation, it would be useful were Liberty to make an updated filing in March 2024, for Department's comment, Commission review and potentially a Commission hearing, if required.
- In the opinion of the Department, due to three mis-recording of winter and summer period COG entries in the appropriate deferred accounts, during the 2022-2023 period the Company was unable to achieve the purpose of the trigger filings – that is, to minimize the (over)/under-collection of COG account balance. See Exhibit 4, Bates 40 (Liberty's response to DOE 1-14); Attachment 1. In the Department's view, this leads to two *avoidable* adverse impacts on customer rates that include the impact on carrying charges, and the impact due to price shocks to the customers (both in terms of cross-sectional and temporal effects of such price shocks). The Department requests the Commission to direct Liberty to quantify the impact on carrying charges that adjustments made in December 2022 (\$10.2 million), March 2022 (\$6 million), and October 18-23 (\$6 million) had on carrying charges applied to the (over)/under calculation for further DOE review and comment. The Department will request the Commission to insulate customer rates from costs attributable to Liberty's errors. The Department notes that Liberty has included usual carrying charges in the updated rates at issue and that future process in this docket in the next month or months may be necessary to identify such impacts.⁹
- In the opinion of the Department, the Winter and Summer rates Liberty proposes must be subject to DOE Final Audit Reports, and any recommendations the DOE Audit division may make, following the Regulatory Divisions review of those Final Audit Reports, and an update to be filed with the Commission.
- In the opinion of the Department, Liberty must submit the Company's proposed tariff edits to fully separate the COG and LDAC processes for review and Commission approval, to be effective prior to November 1, 2023.

⁹ This is to account for the avoidable impacts on carrying charges (i.e., the avoidable additional expenses from carrying charges) due to Liberty's errors. Such a calculation would involve: i) performing corrections with appropriate COG entries into the correct deferral accounts at the appropriate time (i.e., if no errors were to be committed); ii) calculating the appropriate carrying charges thereof; then iii) comparing those carrying charges with that of the carrying charges identified in the October 23, 2023 filing.

- Additional Fixed Price Option (FPO) program costs due to Company error ought not be passed to the ratepayers; and
- Please also see the *Department's Technical Statement regarding FPO program* (filed October 26, 2023) from Amanda O. Noonan, Director of Consumer Services.

With the above caveats, the Department recommends that:

- The Commission approve the Winter 2023/2024 rates in Liberty's updated Cost of Gas filing, dated October 23, 2023, to be effective November 1, 2023.
- The Commission approve the Summer 2024 rates in Liberty's updated Cost of Gas filing, dated October 23, 2023, to be effective May 1, 2024.

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

DG 23-076

Winter 2023/2024 Cost of Gas and Summer 2024 Cost of Gas

Department of Energy Data Requests - Set 1 (COG Supply)

Date Request Received: 9/8/23
Request No: DOE 1-3 (COG)

Date of Response: 10/25/23
Respondent: James King

REQUEST:

Reference: Liberty's August-September 2023 filing

Liberty has provided "customer bill impacts of the proposed firm sales cost of gas rate on an average heating customer's winter bill as compared to the winter rates in effect last year." See Culbertson and King Testimony at 012. Please provide tables for "Customer Bill Impacts" for:

- i. combined LDAC and COG rates;
- ii. just LDAC rates;
- iii. just COG Supply rates.

Are the assumptions, methodology(ies) and formula Liberty applied in this docket identical to the assumptions, methodology(ies) and formula applied by the Company in calculating customer bill impacts in Docket No. DG. 22-045? Please explain in detail.

Please provide the same tables for the Summer 2024 period.

RESPONSE:

- i. Please see Pk Schedule 8 and OP Schedule 8 as filed on September 1, 2023. These customer bill impacts take into account the separation of the COG and LDAC costs and reflect LDAC changes on the dates prescribed in Docket No. DG 23-027.
- ii. Please see Schedule 8 of the LDAC filing as filed on August 21, 2023, for just LDAC rates.
- iii. Please see Attachment 23-076 DOE 1-3.xlsx. The attachment includes revised PK Schedule 8 and OP Schedule 8 to exclude any changes in the LDAC rate from the currently effective LDAC rates.

The calculations of the bill impacts remain largely unchanged from those used in the calculation of customer bill impacts in Docket No. DG 22-045. The only change from the prior docket is an update to the "Typical Usage (Therms)." The Company updated the usage to reflect the forecast for the typical customer usage for November 2023 through October 2024.

DG 23-076
DOE Supplemental Technical Statement of Arif and Alam
Attachment 1
Page 2 of 4

SUPPLEMENTAL RESPONSE:

Please see Pk Schedule 8 and OP Schedule 8 as filed on October 23, 2023. The bill impacts provide rates with the currently effective LDAC rates as well as the proposed COG rates.

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

DG 23-076

Winter 2023/2024 Cost of Gas and Summer 2024 Cost of Gas

Department of Energy Data Requests - Set 1 (COG Supply)

Date Request Received: 9/8/23
Request No: DOE 1-14 (COG)

Date of Response: 10/25/23
Respondent: James King

REQUEST:

Reference: Liberty's August-September 2023 filing; RSA 362-I:2 (Supp 2022)

Liberty seems to have identified a Winter Period 2023-2024 "Deferred Gas Cost Prior Period Over Collection of "(8,577,690);" this appears to be a reported over-collection. Please provide a narrative describing the components that resulted in this figure. Similarly, Liberty seems to have identified a Summer 2024 "Prior Period (Over)/Under Collection of \$9,879,800," which appears to be a reported under-collection of \$9,879,800. Please provide a narrative describing the components that resulted in this figure. Please also confirm that the Winter and Summer periods are wholly independent of each other. See Culbertson and King Testimony at 06 and 015.

RESPONSE:

The Winter and Summer periods are wholly independent of each other, each with its own set of deferral accounts. The winter period 2023–2024 deferred gas cost prior period over-collection of (\$8,577,690) is the result of several factors. As described in the testimony, the over-collection was driven by the lag in the timing of monthly cost of gas rate adjustments as compared to changes in the underlying costs. That is, gas costs dropped much faster than the Company could adjust its COG rates through the monthly adjustments, resulting in an over-collection. Another factor contributing to the over-collection was two seasonal adjustments made during the winter period. In December 2022, the Company made an approximately \$10.2M adjustment for gas supply costs originally booked to summer which should have been booked to winter. The second seasonal adjustment, in March 2023, was for approximately \$6M for revenues that were initially booked to the winter period which were rebooked to the summer period. The Summer 2023 period began with an under-collection amount of approximately \$18M, and since the beginning of the period, the Company has lowered the under-collection balance by approximately \$9.5M. The Company expects that by the start of the 2024 summer period, this balance will further drop.

SUPPLEMENTAL RESPONSE:

Prior to SAP, the legacy Cogsdale/Great Plains system generated a report that allocated revenues between the Summer and Winter periods. A similar report was not initially available after the conversion to SAP. The Company created a replacement report in SAP in March 2023 and made an adjusting entry to correct what had been misallocated in the prior months, which included the need to reallocate \$6 million from Winter to Summer. Unfortunately, the adjusting entry inadvertently reversed the necessary credits and debits, affecting the beginning balances. The Company recognized the error on the evening of October 18, just prior to the COG hearing on October 19.

Correcting this error, as represented in the Company's filing on October 23, 2023, the winter period 2023–2024 deferred gas cost prior period balance is an under recovery of \$3,674,198. The inverse correction was calculated for the Summer deferral account for a deferred gas cost prior period balance of an over recovery of (\$4,190,137).