

**STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

**DG 24-098**

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

**2025 - 2026 Local Distribution Adjustment Charge Filing**

**Order on LDAC Rates**

**ORDER NO. 27,099**

**January 31, 2025**

On November 20, 2024, Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty (Liberty) filed its proposed Local Distribution Adjustment Charge (LDAC) rates, with separate rates for residential and commercial customers, for effect February 1, 2025. The Commission held a hearing on the proposed rates on January 16, 2025. The New Hampshire Department of Energy (DOE) and the Office of the Consumer Advocate (OCA) appeared at the hearing and supported Liberty's proposed rates. After reviewing all evidence in the record, the Commission APPROVES Liberty's proposed LDAC rates, subject to a potential future reconciliation of the Environmental Surcharge as explained below. Specifically, the Commission approves the following rates effective February 1, 2025:

Table 1: Liberty's Approved LDAC Rates Effective February 1, 2025  
(parentheses indicate rate credit or decrease in rates)

Class	Rates Effective February 1, 2025	Current Rates	Change
Residential	\$0.1692	\$0.1986	(\$0.0294)
Commercial	\$0.0857	\$0.0874	(\$0.0017)

## **I. BACKGROUND**

Although the LDAC rate appears as a single line item on customers' bills, it is composed of several subcomponent rates. Liberty calculates each of the subcomponent rates separately and the majority of the subcomponents are annual reconciliations of prior period over- or under-collections. The subcomponent rates are the following: the Energy Efficiency Charge, the Environmental Surcharge, the Revenue Decoupling Adjustment Factor (RDAF), the Property Tax Adjustment Mechanism (PTAM), the Rate Case Expenses and Recoupment surcharge, and the Gas Assistance Program surcharge. Liberty updates its LDAC rate, and each of the subcomponent rates, on an annual basis.

With the exception of the Energy Efficiency Charge, Liberty adjusts all of the LDAC subcomponent rates for the same recovery period, currently February 1 through January 31 of the following year. See Order No. 26,872 (August 14, 2023) in Docket No. DE 23-027. Notably, while the Energy Efficiency Charge is included in Liberty's LDAC rate, the Commission reviews the Energy Efficiency Charge in a separate docket. See Order No. 27,087 (December 12, 2024) in Docket No. DE 24-113. The Commission approved the current Energy Efficiency Charge for effect January 1, 2025. *Id.* Specifically, the Commission approved a residential Energy Efficiency Charge of \$0.0735 per therm and a commercial Energy Efficiency Charge of \$0.0489 per therm. *Id.* These charges are already reflected in Liberty's LDAC rates. *Id.*

## **II. COMMISSION ANALYSIS**

In this filing, with the exception of the Energy Efficiency Charge, Liberty seeks to adjust each of the subcomponent rates of the LDAC for effect February 1, 2025. As

the background and relevant facts<sup>1</sup> differ for each subcomponent, the Commission will separately review each proposed adjustment in turn. The Commission will first lay out the relevant standard of review, which applies to each of the subcomponent rates, and then review each of Liberty's proposed adjustments subject to this standard.

A. Standard of Review

The Commission is authorized to fix rates after a hearing upon determining they are just and reasonable. RSA 378:7. When a utility seeks to increase its rates, it bears the burden of proving the necessity of the increase pursuant to RSA 378:7. In determining whether rates are just and reasonable, the Commission must balance the customers' interest in paying no higher rates than are required against the investors' interest in obtaining a reasonable return on their investment. *Eastman Sewer Company, Inc.*, 138 N.H. 221, 225 (1994). In this way, the Commission serves as arbiter between the interests of customers and those of regulated utilities. *See* RSA 363:17-a; *see also EnergyNorth Natural Gas, Inc. d/b/a National Grid NH*, Order No. 25,202 (March 10, 2011). When the Commission has authorized a utility to implement an annual reconciliation mechanism, such as the LDAC, the Commission's review is generally limited to whether the utility accurately reported its financial information and calculated the rates consistent with the Commission's prior approval. *See, e.g.,* Order No. 27,070 (October 31, 2024) (noting that the review of cost of gas rates is generally limited to whether the company complied with the approved rate mechanism).

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<sup>1</sup> In this order, the Commission primarily relies on the representations in Liberty's witness testimony and the financial information contained in Liberty's schedules and attachments that are attached to Exhibit 2. The Commission notes that no party contested the accuracy of Liberty's representations and financial information. As part of its analysis of Liberty's proposals for each subcomponent rate, the Commission makes factual findings as to their accuracy.

## B. Environmental Surcharge

The Environmental Surcharge allows Liberty to recover costs associated with the investigation, testing, remediation, litigation, and other liabilities related to manufactured gas plant (MPG) sites, disposal sites, and other sites that may have been contaminated by pollutants originating at an MPG for which Liberty is responsible. A large portion of these expenses relates to remediation efforts at the historical Concord Gasholder site. Liberty offsets its environmental expenses with amounts it has recovered through insurance claims and litigation.

Liberty's annual environmental services expenses are amortized over a seven-year period. Therefore, the amount that Liberty is entitled to recover during a recovery period is equal to one-seventh of its environmental expenses from the prior year, plus any amounts from earlier years still being amortized. In addition, Liberty adjusts its Environmental Surcharge to account for any over- or under-recoveries from prior periods. Liberty has a single Environmental Surcharge applicable to all rate classes. Liberty calculates its Environmental Surcharge by dividing the amount to be recovered during the recovery period by its forecasted therm sales over the same period.

In this filing, Liberty seeks to recover \$545,185 through its Environmental Surcharge, which represents the total schedule of amortized environmental expenses less an existing over-recovery. Liberty has forecasted therm sales of 178,316,911 for the recovery period. Based on these figures, Liberty has calculated an Environmental Surcharge of \$0.0031 per therm. This is a \$.0026 increase from the current rate of \$0.0005. Both the DOE and the OCA support Liberty's proposed Environmental Surcharge.

While reviewing the petition and attachments, the Commission has identified what it believes could be an error with Liberty's proposed Environmental Surcharge.

Specifically, on Updated Schedule 3.3, Liberty represents that its “Required Annual Increase” — or the amount it is entitled to recover this recovery period based on the amortization schedule — is \$520,654. However, this amount appears to be \$44,725 lower than it should be. This error appears to stem from the incorrect amortization of Liberty’s 2023–2024 environmental costs. The schedule indicates that these costs totaled \$716,794. Divided by seven, this would result in a yearly amortized amount of \$102,400. However, for this year’s recovery period (February 2025 through January 2026) the schedule states that the yearly amortized amount from 2023–2024 is \$57,675.

Because this potential discrepancy has a relatively minor impact on rates, and the rates are otherwise set to go into effect on February 1, 2025, the Commission believes it is appropriate to allow Liberty’s LDAC rates to take effect as proposed and address this issue in a later proceeding. Accordingly, in the next LDAC proceeding, Liberty’s filings should note that it has reviewed this issue and explain whether the schedule accurately represents the amortized amount for 2023–2024. If necessary, the Commission can make changes or reconciliations to the Environmental Surcharge in the future docket.

With this exception noted, the Commission finds that, based on the evidence in the record, Liberty has otherwise accurately reported the environmental expenses to be recovered, including the over-recovery amount, and has correctly calculated the rates consistent with its tariff, as approved in Order No. 26,505 (July 30, 2021) in Docket No. DG 20-105. Therefore, subject to potential reconciliation, the Commission APPROVES Liberty’s proposed Environmental Surcharge.

### C. Revenue Decoupling Adjustment Factor

Revenue decoupling is a rate mechanism that allows a utility to recover a set amount of revenue regardless of its actual energy sales. The purpose of revenue decoupling is to incentivize a utility to be energy efficient by breaking the link between customers' energy usage and the utility's revenue. Liberty's revenue decoupling mechanism, the RDAF, uses a revenue per customer model. Under the RDAF, Liberty is able to reconcile, on an annual basis, the difference between its actual base revenue per customer from the prior period, as well as any outstanding balances from earlier periods, and the benchmark base revenue per customer approved in its most recent rate case. Liberty also recovers any over- or under-recovery balances from earlier RDAF years. Liberty has separate RDAF rates for residential and commercial customers. Liberty calculates its RDAF rates by dividing the total under- or over-collection, included any past balances, by the projected therm sales for each class for the recovery period.

In this filing, with respect to residential customers, Liberty is seeking to recover \$5,064,475 through its RDAF rate during the recovery period. This figure includes an under-recovery of \$3,334,401 from Decoupling Year 2023–2024, which represents the difference between its actual revenue per customer and approved revenue per customer, and an outstanding balance of \$1,730,074 from Decoupling Year 2022–2023. Liberty projects therm sales of 64,438,689 during the recovery period for residential customers. Based on these figures, Liberty has calculated a residential RDAF rate of \$0.0786 per therm. This is a \$0.0266 decrease from the current residential RDAF rate of \$0.1052.

With respect to commercial customers, Liberty is seeking to recover \$2,242,043 during the recovery period. This figure includes an under-recovery of \$1,812,101 from

Decoupling Year 2023–2024, which represents the difference between its actual revenue per customer and approved revenue per customer, and an outstanding balance of \$429,942 from Decoupling Year 2022–2023. Liberty projects therm sales of 113,878,222 during the recovery period for commercial customers. Based on these figures, Liberty has calculated a commercial RDAF rate of \$0.0197. This is a \$0.0023 increase from the current commercial RDAF rate of \$0.0174.

In its technical statement and at hearing, the DOE represented that, while it had reservations about Liberty’s current RDAF model, the company had correctly calculated and applied the approved formula. The DOE therefore recommended that the Commission approve Liberty’s proposed rates. The OCA echoed the DOE’s general concerns about Liberty’s revenue decoupling mechanism, but also stated that it supported the proposed rate for February 1, 2025.

Based on the evidence in the record, the Commission finds that Liberty appears to have accurately reported its actual revenue per customer from the prior year, as well as the outstanding balances from earlier years, and that the company has correctly calculated the RDAF rate consistent with its tariff, as approved in Order No. 26,505. Accordingly, the Commission APPROVES Liberty’s proposed RDAF rates.

While the Commission approves Liberty’s RDAF rates, the Commission notes several concerns with the design and implementation of the rate mechanism. The Commission first approved a revenue decoupling mechanism in Order No. 26,122 (April 27, 2018). As noted above, the primary purpose of the LDAC was to incentivize Liberty to accelerate energy efficiency spending. *See, e.g.*, Docket No. DG 17-048, Exh. No. 8 at Bates Page 283–84. However, because the legislature now sets levels of spending through the Energy Efficiency Charge, *see* RSA 374-F:3, VI-A(d)(2), the incentive reasoning is no longer applicable.

In addition, the Commission notes that several of the other rationales for adopting decoupling have not borne out. For example, decoupling supporters argued that a successful rate mechanism could reduce the frequency of rate cases. *See, e.g.*, Docket No. DG 17-048, Exh. 14 at Bates Page 5. However, decoupling has not reduced the frequency of Liberty's rate cases, with Liberty seeking base distribution rate adjustments in 2017 (Docket No. DG 17-048), 2020 (Docket No. DG 20-105), and 2023 (Docket No. DG 23-067), the last of which is ongoing. Further, the Commission notes that while the purpose of revenue decoupling was to provide a financial incentivize for Liberty to accelerate energy efficiency spending, Liberty's recoveries through the RDAF have been unexpectedly large and therefore have had a significant impact on customer's rates.

Finally, the Commission notes that decoupling is a complicated rate mechanism that has proven difficult, and time consuming, to implement. For example, in both Docket Nos. DG 22-045 and DG 23-076, in which Liberty last updated its RDAF rates, there were numerous issues with Liberty's proposals that required both extensive litigation to resolve and numerous adjustments to Liberty's RDAF rates. *See* Docket No. DG 22-045, Order No. 26,692 (September 29, 2022) (granting Liberty's request to "carve-out" issues related to its reported \$4.3 million RDAF under-collection from the remainder of the LDAC issues); Docket No. DG 23-076, Order No. 26,090 (January 31, 2024) (provisionally approving Liberty's RDAF rates subject to further Commission review), Order No. 27,079 (November 22, 2024) (finalizing Liberty's provisional RDAF rates). In addition, in Docket No. DG 22-041, Liberty sought to recover approximately \$4 million dollars in RDAF revenue that it argued it improperly returned due to an ambiguity in the RDAF rate in place in Tariff No. 10. *See* Order No. DG 27,078 (November 21, 2024). Although the Commission ultimately rejected this request, it



took almost two years of litigation with active participation by Liberty, the OCA, and the DOE to resolve. *Id.* The difficulties implementing the rate mechanism add to the costs for all parties involved.

Although the Commission is approving Liberty's RDAF rates in this docket as consistent with its existing tariff, the Commission hopes that the parties consider the practicality of the RDAF in future proceedings, including Liberty's current rate case.

#### D. Property Tax Adjustment Mechanism

Liberty is obligated to pay property taxes, and its base distribution rates include amounts to recover its annual property tax expenses. Through the PTAM, Liberty reconciles its actual property tax expenses for the prior tax year (which runs from April 1 through March 31) with the approved recovery amount for property taxes in its base distribution rates. Liberty calculates its PTAM rate by dividing the total over- or under-collection by projected gas sales for the recovery period. Liberty has a single PTAM rate for both residential and commercial customers.

In this filing, Liberty is seeking to reconcile its 2023 Property Tax Year, which ran from April 1, 2023, through March 31, 2024. Liberty's approved recovery amount for taxes in its base distribution rates is \$9,711,550.<sup>2</sup> Liberty's actual tax bills for the 2023–2024 Tax Year were \$10,912,942. This resulted in an under-collection of \$1,201,392. In addition, Liberty reports an under-recovery balance of \$404,530 from prior periods. This results in a total of \$1,605,922 that Liberty seeks to recover through its PTAM rate during the recovery period. Based on projected gas sales of

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<sup>2</sup> Because Liberty received a temporary rate increase effective November 1, 2023, which was halfway through the tax year, this figure represents a blend of Liberty's base distribution rate approved in Docket No. DG 20-105 and its temporary rates. See Order No. 26,899 (October 31, 2023) in Docket No. DG 23-067. No party objected to this method, and the Commission finds that it was appropriate method of calculating the PTAM.

178,316,911 therms of gas during the recovery period, Liberty has calculated a PTAM rate of \$0.0090 per therm.

Both the DOE and the OCA support Liberty's proposed PTAM rate. Based on the evidence in the record, the Commission finds that Liberty's reported expenses appear to be accurate and that the company correctly calculated its PTAM rate consistent with its tariff, as approved in Order No. 26,505. Accordingly, the Commission APPROVES Liberty's proposed PTAM rate.

E. Rate Case Expenses and Recoupment Surcharge

In Order No. No. 26,808 (April 28, 2023), the Commission authorized Liberty to recover its expenses from its last base distribution rate case, Docket No. DG 20-105, through a single rate case expense surcharge applicable to all customer classes. In this filing, Liberty has reported that, as of February 1, 2025, there is an over-collection balance \$202,402 with respect its rate case expenses. In order to refund this over-collection balance in this recovery period, Liberty divided the total balance by its forecasted sales in therms during the recovery period. Based on projected sales of 178,316,911 therms, Liberty has calculated a rate credit of (\$0.0011) per therm applicable to all customer classes. This represents an increase of \$0.0026 over the current rate credit of (\$0.0037).

Both the DOE and the OCA support Liberty's proposed Rate Case Expenses and Recoupment surcharge. Based on the evidence in the record, the Commission finds that Liberty has accurately reported the existing over-collection balance with respect to its rate case expenses from Docket No. DG 20-105 and that the company correctly calculated the rate credit. Accordingly, the Commission APPROVES Liberty's proposed Rate Case Expenses and Recoupment surcharge.

F. Gas Assistance Program Surcharge

Through the Gas Assistance Program surcharge, Liberty recovers the administrative costs and revenue shortfall associated with the Gas Assistance Program and also reconciles prior period over- or under-recoveries. Liberty has a single Gas Assistance Program surcharge for all customer classes, and it calculates the rate by dividing its total recovery amount by projected sales in therms during the recovery period. Consistent with Order No. 26,397 (August 27, 2020) in Docket No. 20-103, Liberty is providing a 45 percent base rate and cost of gas discount for eligible customers in the 2024–2025 winter period. Liberty estimates that 6,097 customers will use the program and that the company will experience a revenue shortfall of \$2,522,150 as a result. Liberty further reports that there is an existing over-collection of \$1,432,126 in Gas Assistance Program charges. Accordingly, Liberty seeks to recover a total of \$1,090,024 during the recovery period, which is equal to the forecasted revenue shortfall minus the existing over-collection balance. Based on projected sales of 178,316,911 therms over the recovery period, Liberty has calculated a rate of \$0.0061 per therm. This is a \$0.0086 decrease from the existing rate of \$0.0147 per therm.

Both the DOE and the OCA support Liberty's proposed Gas Assistance Program charge. Based on the evidence in the record, the Commission finds that Liberty appears to have appropriately forecast its revenue shortfall, accurately reported the existing over-collection, and correctly calculated the Gas Assistance Program surcharge consistent with its tariff, as approved in Order No. 26,505. Accordingly, the Commission approves Liberty's proposed Gas Assistance Program surcharge.

As the Commission has approved each element of the LDAC subcomponent rates the Commission finds that, subject to the potential future reconciliation of the

Environmental Surcharge, Liberty appropriately calculated its proposed LDAC rates for effect February 1, 2025 and that the rates are therefore just and reasonable consistent with RSA 378:7. *See* Order No. 27,070, *supra*. Therefore, the Commission APPROVES Liberty's proposed LDAC rates as laid out in Table 1.


**Based upon the foregoing, it is hereby**

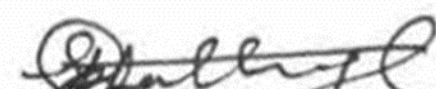
**ORDERED**, that Liberty's proposed LDAC rates for effect February 1, 2025, are APPROVED; and it is

**FURTHER ORDERED**, that Liberty shall, in its next LDAC filing, address the Commission's concerns with the reported Environmental Surcharge, as explained in this order; and it is

**FURTHER ORDERED**, that Liberty shall file annotated tariff pages as required by N.H. Code Admin. R., Puc 1603 by February 18, 2025.

By order of the Public Utilities Commission of New Hampshire this thirty-first day of January, 2025.

  
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Daniel C. Goldner  
Chairman

  
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Pradip K. Chattopadhyay  
Commissioner

  
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## Service List - Docket Related

Docket#: 24-098

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