

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 22-015

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

Summer 2022 Cost of Gas

Order Approving Cost of Gas Rate

ORDER NO. 26,630

May 20, 2022

In this order, the Commission approves the 2022 summer cost of gas rate proposed by Liberty Utilities for its Keene Division of \$1.6220 per therm. The new cost of gas rate is expected to cause a \$39.27 or 46.9 percent increase in a typical residential customer's overall monthly bill for the five-month 2022 summer period when compared to the summer of 2021. (This year's summer cost of gas period for Liberty Utilities Keene Division is abbreviated by one month, due to the Commission's need to extend winter cost of gas rates into the month of May in Order No. 26,618).

I. PROCEDURAL HISTORY

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities (Liberty) currently operates two gas divisions in New Hampshire, including its EnergyNorth Division and Keene Division. The Keene Division (Liberty-Keene, or the Company) distributes propane-air and compressed natural gas (CNG) gas and serves approximately 1,200 customers. On March 15, 2022, Liberty-Keene filed its proposed cost of gas (COG) rates for the summer period, May 1 through October 31, 2022. Liberty-Keene's filing consisted of the pre-filed testimony and supporting attachments of Deborah M. Gilbertson and Catherine A. McNamara. On March 29, 2022, the Commission issued an order commencing an adjudicative proceeding and scheduling

a hearing in this matter on April 26, 2022. On April 6, 2022, the Commission issued a procedural order specifying that the New Hampshire Department of Energy (DOE) and Liberty-Keene were to file a copy of the DOE's audit report regarding this instant COG filing, together with Liberty-Keene's COG model and live Excel schedules. On April 22, 2022, the Commission issued Order No. 26,615 in this docket, suspending Liberty-Keene's proposed summer COG tariffs, and rescheduling the hearing in this matter to May 17, 2022, as the information requested by the Commission in its April 6 procedural order had not been provided. Subsequently, on April 28, 2022, the Commission issued an interim order, Order No. 26,618, extending the existing winter 2021-22 COG rate for Liberty-Keene of \$2.4835 per therm during the pendency of this proceeding, through the May 1, 2022-May 31, 2022, period, subject to reconciliation.

The Company filed two revised versions to its summer COG filing, one on April 27, 2022, and a second on May 10, 2022. The second, May 10th, revised version is that being ruled upon in this order. *See* Hearing Exhibit 2. The May 10, 2022, revised summer COG filing also presented the testimony of Deborah M. Gilbertson and Catherine M. McNamara. This filing and subsequent docket entries, other than any information for which confidential treatment is requested of or granted by the Commission, are available on the Commission's website at <https://www.puc.nh.gov/Regulatory/Docketbk/2022/22-015.html>

The Office of the Consumer Advocate (OCA) filed its notice of participation with the Commission on April 29, 2022. The hearing was held as scheduled on May 17, 2022, and there were no intervenors. At the hearing, the Company's witnesses adopted their pre-filed testimony, as revised, and provided additional live testimony.

II. COST OF GAS ADJUSTMENT MECHANISM

The cost of gas adjustment mechanism was implemented in 1974 during an era of rapidly changing priced to provide a way to immediately pass on to customers any price increases and decreases in supply costs without having to go through an extended proceeding to change delivery rates. The Company has no control over the price of propane and CNG, which are unregulated commodities; over pipeline rates, which are regulated by the Federal Energy Regulatory Commission; or over trucking rates from propane and CNG supply points, which are market-based. The COG mechanism allows the Company to pass those costs through to customers directly but prohibits any mark-up or profit. COG rates are initially set using projected costs and sales for the upcoming summer or winter period. The Company may adjust COG rates monthly, based on actual costs to date and projected costs for the remainder of the period, to take into account changes in the propane and/or CNG market. Under the adjustment provision, rates may go up no more than 25 percent on a cumulative basis over the summer period if costs are higher and may go down as far as is necessary if costs are lower.

All supply costs and revenues are reconciled semi-annually. During each summer COG rate proceeding, the Commission reconciles the actual costs and revenues from the prior summer period. Likewise, during each winter COG proceeding, the Commission reconciles the actual costs and revenues of the prior winter. The results of the reconciliations are reflected in the COG rate going forward. A more detailed description of supply costs and how rates are set can be found on the Commission's website at <https://www.puc.nh.gov/Gas-Steam/howgasratesareset.htm>.

III. POSITIONS

A. Liberty-Keene

1. Calculation and Impact of the COG Rate

Liberty-Keene, in its revised May 10, 2022, filing, proposed a 2022 summer COG rate of \$1.6220 per therm that would apply to all its customers. Liberty-Keene calculated the rate by dividing its anticipated adjusted propane and CNG costs of \$576,070.05, as offset by the projected revenue (\$160,473.84) derived from the May 2022 continuation of the winter 2021-22 COG rates ordered in Order No. 26,618, by the total projected June 1, 2022-October 31, 2022, sales of 256,222 therms. Hearing Exhibit 2 at Bates Page 9. The anticipated propane costs were based on the per-unit costs from the Mt. Belvieu, Texas settlement prices for the propane futures market as of March 2, 2022, plus brokers' fees, Propane Education and Research Council charges, supplier charges, pipeline transportation costs, and trucking charges. Hearing Exhibit 2 at Bates Page 13-14. Also included in the calculation was recovery of an under-collection of \$18,291 from the 2021 summer COG period to accomplish the reconciliation described above. *Id.* at Bates Page 9.

Liberty-Keene's proposed rate represents an increase of \$0.4399 per therm from the initial rate of \$1.1821 per therm for the 2021 summer period. Hearing Exhibit 2 at Bates Page 17. The impact of the proposed COG rate on the total summer bill (June through October) of a typical residential heating customer is an increase of \$39.27 or 46.9 percent in the gas component of their bills compared to last summer. *Id.* at 18.

2. Reasons for the Increase in the COG Rate

According to Liberty-Keene, the increase in the proposed COG rate compared to last summer is due to higher propane futures market quotations (approximately 80

percent of the increase). Hearing Exhibit 2 at Bates Page 17). The approximately remaining 20 percent of the increase is due to the prior 2021 summer COG period under-collection. *Id.* The Company indicated at hearing that the outbreak of the war in Ukraine has resulted in strains in the global propane market.

3. Propane Purchasing Stabilization Plan

In *New Hampshire Gas Corp.*, Order No. 24,745 (April 27, 2007), the Commission directed Liberty-Keene's predecessor to report the status of its hedging activities under its propane purchasing stabilization plan at each COG proceeding, and to provide an analysis of the results. Liberty-Keene reported that the cost of the pre-purchased gallons was 18 percent lower than the average representative spot prices for the first four months of the current winter period, reflecting an increase in spot propane prices over the pre-purchased volumes. Hearing Exhibit 2 at Bates Pages 14-15. Liberty-Keene stated that it issued an RFP for the winter of 2022-23 Propane Stabilization Program and plans to purchase 700,000 gallons of propane to maintain an approximate 65 percent target ratio of hedged volumes to expected sales. *Id.* at Bates Page 15. The Company also reported that it issued a Request for Proposals (RFP) for the 2022-23 propane purchasing stabilization plan purchases on February 22, 2022, using the process that Liberty-Keene used in 2021. The RFP was sent to 13 suppliers, and once a winning bidder will be selected, they will be notified. *Id.*

4. Compressed Natural Gas Matters

Pursuant to the terms of the settlement agreement entered into in Docket No. DG 20-105, as approved by the Commission in Order No. 26,505 (July 30, 2021), the Company incorporated prior-period incremental costs and savings related to Liberty-Keene's displacement of propane with CNG use in its gas supply. See Hearing Exhibit 2 at Bates Pages 10-13. The Company also applied 2022 summer estimated cost

savings related to its use of CNG (which is less expensive than propane at present) in its COG schedules for this filing, pursuant to the terms of the DG 20-105 settlement agreement. *Id.* at Bates Page 13.

B. Department of Energy

The DOE made recommendations for certain filing enhancements during the course of the May 17, 2022, hearing. These proposals related to the need for granular data regarding the cost per therm, with demand charges, separated out for propane and CNG within the Company's Schedule "B" of its COG filing, titled "Calculation of Cost of Gas Rate Supply/Demand Balance." A Record Request was made by the Commission for these updated elements, which was to be filed as Exhibit 17 to this docket. At the May 17, 2022, hearing, the DOE stated that it supported approval of the Company's summer COG rate, as updated by the Liberty-Keene May 10, 2022, filing, as just and reasonable, subject to reconciliation.

C. Office of the Consumer Advocate

The OCA did not appear at the May 17, 2022 hearing in this matter.

IV. COMMISSION ANALYSIS

The Commission has broad statutory authority to set rates in addition to "powers inherent within its broad grant" of express statutory authority. *Appeal of Verizon New England, Inc.*, 153 N.H. 50, 64-65 (2005) (citations omitted). The Commission applies the "just and reasonable" ratemaking standard of RSA 374:2 and RSA 378:7 when setting COG rates. *Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities*, Order No. 25,658 (April 30, 2014).

Based on our review of the record in this docket, we approve the proposed 2022 summer season COG rate as just and reasonable under RSA 374:2 and RSA 378:7.

The rate appears to have been calculated in a manner consistent with past practice, which offers proper assurances.

We note that pursuant to *New Hampshire Gas Corp.*, Order No. 24,962 (April 30, 2009), the approved rate may be adjusted monthly without further Commission action in order to eliminate or reduce projected over- or under-recoveries in a timely and efficient manner. The rate may increase by no more than 25 percent of the approved rate and may decrease so far as needed. With the approval of a 2022 summer COG rate of \$1.6220 per therm, the Commission therefore also approves a maximum 2022 summer COG rate of, \$1.6220 times 1.25, i.e. \$2.0275 per therm.

We also request that the Company continue to apply the filing enhancements requested by the Department of Energy within Schedule "B" of its COG filings going forward, as outlined in the Record Request made at hearing and Hearing Exhibit 17.

Based upon the foregoing, it is hereby

ORDERED, that the proposed Liberty-Keene Summer 2022 COG rate of \$1.6220 per therm for the period of June 1, 2022, through October 31, 2022, is APPROVED, effective for service rendered on or after June 1, 2022, for residential and commercial/industrial classes; and it is

FURTHER ORDERED, that a maximum Summer 2022 COG rate of \$2.0275 per therm for the period June 1, 2022, through October 31, 2022, is APPROVED; and it is

FURTHER ORDERED, that Liberty-Keene may, without further Commission action, adjust the COG rate based upon the projected over- or under-collection for the period, the adjusted rate to be effective as of the first month and not to exceed the maximum rate specified above, with no limitations on reductions to combined COG rate; and it is

FURTHER ORDERED, that Liberty-Keene shall track and apply incremental CNG versus propane costs/savings as specified in the Settlement Agreement in Docket No. DG 20-105, as approved by the Commission in Order No. 26,505 (July 30, 2021); and it is

FURTHER ORDERED, that going forward, Liberty-Keene shall provide the filing enhancements related to Schedule "B" as delineated in Hearing Exhibit 17; and it is

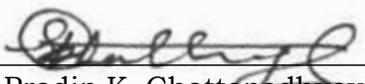
FURTHER ORDERED, that Liberty-Keene shall provide the Commission with its monthly calculation of the projected over- or under-collection, along with the resulting revised COG rate for the subsequent month, not less than five (5) business days prior to the first day of the subsequent month, and it shall include a revised tariff page 93 (Tariff 11), Calculation of the Summer Cost of Gas Rate - Keene Customers, if it elects to adjust the COG rate; 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 each month; and it is

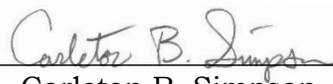
FURTHER ORDERED, that Liberty-Keene shall file properly annotated tariff pages in compliance with this order, as required by N.H. Code Admin. R., Puc Part 1603, no later than 15 days from the issuance of this order; and it is

FURTHER ORDERED, that Liberty-Keene shall file its future Company COG filings no fewer than 45 days before the effective date of the proposed rate change, or 47 days before the effective date if the effective date is a weekend or holiday; applying these deadlines, the 2022-23 winter COG shall be filed no later than September 17, 2022, and the 2023 summer COG shall be filed no later than March 17, 2023, unless otherwise ordered.

By order of the Public Utilities Commission of New Hampshire this twentieth
day of May, 2022.



Pradip K. Chattopadhyay
Commissioner



Carleton B. Simpson
Commissioner

Service List - Docket Related

Docket# : 22-015

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