

STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE: January 30, 2014
AT (OFFICE): NHPUC

FROM: Robert J. Wyatt *RSW*
Assistant Director – Safety Division

SUBJECT: Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities
DG 14-028 Motion for Waiver of Puc 506.03
Staff Recommendation

TO: Debra A. Howland, Executive Director (NHPUC)

cc: Commissioners
Randall Knepper, Director – Safety Division
Stephen Frink, Assistant Director – Gas and Water Division
Michael Sheehan, Hearings Examiner – Legal Division

Staff has completed its review of the Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities (“Liberty Utilities” or “Company”) Motion for Waiver of Puc 506.03, related to the On-Site (Peakshaving) Storage requirement, as filed on January 27, 2014¹.

Through January 20, 2014 the Company had maintained its on-site storage inventory throughout the winter period at or above the required minimum 63,037 MMBtu, in accordance with Puc 506.03². Staff performed additional analysis and issued some questions to the Company related to this request. A conference call was convened on January 29, 2014, to discuss the petition and the Company’s responses to Staff questions related to the motion for waiver.

Staff recommends approval of the Motion for Waiver of Puc 506.03, with conditions, based on the following facts:

- The daily natural gas spot market price in New England has experienced both record highs and extreme volatility in January;
- The average inventory prices of the Company’s on-site propane and LNG resources are quite favorable to the daily spot market pipeline supply alternatives on the coldest days of this winter period;

¹ Robert Wyatt received a telephone call from Chico DaFonte (Liberty Utilities) on Friday, January 17, 2014 to discuss the possibility of reducing the Company’s seven day on-site storage requirement in order to free up some of the on-site supply to displace much higher market priced supply. Mr. Wyatt suggested that the Company formally request a waiver of the Puc 506.03 requirement.

² Inventory levels may temporarily drop below the minimum requirements due to timing of reporting vs. refill deliveries.

- The availability of firm pipeline resources to meet the Company's system demand has not been restricted;
- Granting the waiver will reduce the storage requirement by 31,519 MMBtu between now and February 15, when the requirement automatically drops to 75% of the initial volume.
- Between February 15 and March 1, if the waiver is granted, the storage requirement will be 15,759 MMBtu less than the current mid-February to March 1 requirement.
- The Company has an LNG (liquids) refill contract with GDF Suez and will continue utilization of its LNG facilities to meet its pipeline balancing and system supply requirements.
- These small changes in on-site inventory will have a negligible impact on the reliability or operation of the Company's system and will allow the Company to mitigate some of its exposure to the extreme price volatility of New England market priced natural gas supplies.³

Staff recommends the Commission impose two conditions if it grants the waiver. First, affirm that the waiver only applies through March 1, 2014 as the Company requested, and will not be considered a precedent for future years. Second, when the on-site storage inventory drops below the 7-Day storage requirement, the Company will keep an accounting of each day these resources are used to displace higher priced pipeline supplies, the quantities that are used, and the resulting cost savings.

Should you have any questions regarding this Staff Recommendation, please do not hesitate to contact Robert Wyatt (Staff).

³ In Docket DG 13-251, Liberty Utilities 2013-14 Winter Cost of Gas Filing, Exhibit No. 1, the Company forecasted a February design year daily average requirement of 58,536 MMBtu (Bates p. 140) and stated that it has off-system supplies and pipeline capacity of 107,833 MMBtu (Bates p. 143) available to meet that requirement. The remaining on-site inventory will also be available to satisfy February requirements.