STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

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

DG 14-___

PETITION FOR APPROVAL OF CHANGES TO FINANCIAL HEDGING PROGRAM AND FIXED PRICE OPTION PROGRAM

NOW COMES Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities ("Liberty" or the "Company") and hereby petitions the New Hampshire Public Utilities Commission ("Commission") for approval to adopt a revised hedging program and to change its current Fixed Price Option Program so that it is only available to residential customers. In support of its Petition, Liberty states as follows:

1. Liberty is a public utility primarily engaged in the retail delivery of natural gas to approximately 90,000 customers in 30 municipalities across New Hampshire.

2. As described in the Pre-filed Direct Testimony of Francisco D. DaFonte which is being filed contemporaneously with this Petition, the Company currently operates a hedging program that was approved by the Commission in Order 25,094. The Company is requesting to modify its existing hedging program to better stabilize the cost of natural gas supplies acquired to serve its customers. The Company also seeks to modify its Fixed Price Option (FPO) program so that it is only available to residential customers, in lieu of the current program which is available to all customers, whether residential or commercial. The Company is seeking approval by the Commission of these changes for effect in the peak winter period of 2014-2015 and through the issuance of an Order Nisi.

3. Under the Company's current hedging policy, the Company uses various financial risk management tools and underground storage in order to provide more price stability in the cost of gas to firm sales customers and to fix the cost of gas for participants in the Company's FPO Program. The current policy was developed at a time when there was significant volatility in the NYMEX price of gas, and thus was intended to minimize price volatility with regard to supply area purchases. These supply area purchases are based on the Henry Hub pricing point for natural gas futures contracts located in the supply area in Louisiana. However, as demonstrated in Mr. DaFonte's testimony, while the Henry Hub price and correlating NYMEX price has become very stable, all of the price volatility has been occurring in purchases made in the market area, which for the Company is either Tennessee's Zone 6 city gate or Dracut, Massachusetts.

4. As a result, the Company is proposing to eliminate the current hedging program which focuses exclusively on the hedging of the NYMEX/Henry Hub futures contracts. In its place, the Company proposes to begin hedging the New England basis (e.g. the market cost to deliver gas to Tennessee Zone 6 and Dracut) via the purchase of physical fixed basis supply contracts commencing with the winter of 2014-2015.

5. In addition, the Company proposes to change its FPO which is part of its hedging policy, such that it is only available to residential customers. The purpose of the FPO is to provide customers with price stability during the winter months, when gas prices are more volatile. The Company achieves this by establishing an FPO rate that is based on the peak period Cost of Gas rate plus a premium to recover program costs and to account for the volatility of the unhedged supply used to serve FPO customers. The Company is proposing to only make the program available to residential customers as they do not have the ability to

choose a third party supplier since there is no retail competition available to these customers. Retail competition is available to commercial and industrial customers, and as a result, they have the ability to pursue other supply options if they would like a fixed price offering or some other creative supply service that meets their business needs. While the Company would calculate the FPO rate in this same fashion, it does anticipate proposing a higher FPO premium this winter to appropriately reflect the increased volatility in the market area supply prices. That proposal will be made in the Company's winter cost of gas filing.

6. The Commission has previously adopted changes to the Company's hedging policy when it has found that the need for the policy no longer exists. *See EnergyNorth Natural Gas, Inc.*, Order No. 25,094 at 6 ("As to the elimination of hedges on the Company's storage, we find that change reasonable. Because gas in storage is at a fixed price, further hedging those supplies does little to influence rate volatility. Hedging is intended to reduce volatility; decreasing costs by eliminating a practice that has done little to reduce volatility is a sound change."). In this case, it is appropriate to eliminate the current policy to hedge the Henry Hub/NYMEX price, as that policy is no longer beneficial to the Company's customers, and to allow the Company to adopt a hedging policy that addresses the current price volatility.

7. For these reasons, and those stated in the Prefiled Direct Testimony of Mr. DaFonte, the Company requests that the Commission approve the proposed changes to the hedging and FPO Program.

WHEREFORE, Liberty Utilities respectfully requests that the Commission:

A. Issue an Order Nisi authorizing the Company to: (a) adopt a revised hedging policy as described in the prefiled direct testimony of Francisco C. DaFonte, and (b) offer the Fixed Price Option Program only to its residential customers; and

B. Such other relief as is just and equitable.

Respectfully submitted,

LIBERTY UTILITIES (ENERGYNORTH NATURAL GAS) CORP. D/B/A LIBERTY UTILITIES

By its Attorney,

Sarah B. Knowlton

Date: May 19, 2014 By: ______________________

Sarah B. Knowlton
Assistant General Counsel
15 Buttrick Road
Londonderry, NH 03053
Telephone (603) 216-3631
sarah.knowlton@libertyutilites.com

Certificate of Service

I hereby certify that on May 19, 2014, a copy of this Petition has been forwarded to Susan Chamberlin, Esq., Consumer Advocate.

Sarah B. Knowlton

____
Sarah B. Knowlton