THE STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DG 14-380

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

Petition for Approval of Long-term Firm Transportation Agreement

Staff's Closing Statement

Before turning to the record, Staff would first like to commend and thank the citizens who took time to give voice in their public comments to some very important issues. Many – if not most – of those issues, however, are not a part of the Commission's review of the Precedent Agreement and the Settlement Agreement, under the just, reasonable, and prudence standards.

Staff believes the amended Precedent Agreement and the settlement satisfy those standards and recommends unconditional Commission approval. The Company has demonstrated a need for additional capacity and has experienced significantly higher growth and capacity exempt transportation customers converting to firm sales service than projected in its initial filing. John Rosenkranz, testifying on behalf of the Pipe Line Awareness Network for the Northeast (PLAN), testified that it would be appropriate for EnergyNorth to contract for an additional 25,000 to 30,000 Dth/day based on projected requirements over the next ten years (Exhibit 17, Bates p. 21). Mr, Rosenkranz did not take into account further migration of capacity exempt customers to firm sales service identified in the Company's rebuttal testimony (Exhibit 9, Bates p. 27). On behalf of the Office of the Consumer Advocate (OCA), Dr. Chattopadhyay did not dispute the Company's 2013 IRP demand projection of 90,000 Dth/day, which did not include the propone peaking capacity, the capacity exempt migration since then, or the new demand associated with iNATGAS. Adding the missing demand to PLAN's and OCA's amounts results in total capacity levels analogous to the level recommended by Staff and the Company in the settlement and required by the amended Precedent Agreement. In combination with the conditions set forth in the settlement, the NED capacity provided under the Precedent Agreement, will enable Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities to meet both short and long term demand and to continue providing safe and reliable service at just and reasonable rates.

The settlement requires the Company, by April 1, 2017, to amend the Precedent Agreement, to allow for a reduction in contracted volumes from 115,000 Dth/day to 100,000 Dth/day unless significant demand-growth targets are met. The requirement addresses Staff's concerns about excess capacity and the out-of-model adjustments in the Company's original projections for migrating-capacity-exempt and iNATGAS demand. Requiring the Company to meet certain demand targets under the capacity-reduction term also aligns the excess capacity projections supporting the settlement with the recommendations of the OCA and PLAN of a 10-year capacity planning period.

The settlement also requires the Company to meet, or pay a penalty for failure to meet, one of two annual growth targets, so long as any of the Company's propane peaking plants are in service. This new requirement helps to alleviate Staff's concerns about the growth rates used in the Company's projections as well as the cost burden imposed on customers from retaining the propane peaking plants after the NED capacity comes on line. The significant growth requirements also incent the Company to continue pursuing cost-effective opportunities for growth in number of customers and in demand; all other things being equal, growth will result in lower rates and less cost-burden on customers.

The settlement also requires the Company to conduct, and file in its next IRP, due February 9, 2017, certain information, including cost and revenue requirement data and analysis for each of its peaking propane plants and a cost-benefit analysis of a possible lateral pipeline from the new pipeline to the Company's free-standing, propane-air distribution system in Keene. The 40-plus-year-old peaking plants may not be necessary to meet design peak day demand once the NED capacity comes on line, and the Company's IRP analysis will enable the Commission to determine if the costs of these plants outweigh the benefits to customers at and after that time. The Keene lateral cost analysis will assist the Commission in determining whether the cost of a lateral to serve Keene customers is feasible and reasonable for the Company to pursue in order to serve its existing and future customers with more reliable, less expensive natural gas. The remaining two, new requirements for the next IRP, a forecast of load on a customer-class basis, and an analysis of the impact of energy efficiency in the demand forecast, in addition to contributing to more accurate design-day requirements projections, will inform the Commission's evaluation the propane peaking plants and Keene lateral analyses, as well as other data filed within the context of the next IRP docket.

As Ms. Whitten testified, Staff's decision to enter the settlement agreement was also informed by additional information provided by the Company after Staff filed its testimony, including specific details in Rebuttal Testimony about expanded sales operations and efforts to grow the distribution system, and updated capacity-exempt reverse migration data. The Company also provided updated, and significantly increased, cost information about work on the Concord Lateral that would be required under the two alternatives to the NED project, because of insufficient pressure and fully subscribed capacity on the Lateral. In addition, the Company provided additional details about its efforts to secure capacity on the NED Supply Path, from

Wright, NY, to the Marcellus shale region, which would provide useful access to Company storage and, to the customers, the lowest priced gas supply in the country. The NED Market Path capacity already has access to sufficient gas supply via the Constitution Pipeline, and the addition of NED Supply Path capacity will only enhance liquidity the Wright, NY interconnect, to the benefit of Energy North's customers.

The record supports Staff and the Company's position that the NED Market Path capacity is more cost-effective than the now-fully-subscribed alternatives, and, the additional information that was developed after filing Staff's testimony, supported our conclusion that the amended Precedent Agreement is just, reasonable, and prudent. Further support for this conclusion arises from the increased reliability and growth potential created by a second delivery point to EnergyNorth's distribution system. The consistency between the Company's approved IRP demand forecast and the amended Precedent Agreement's total capacity requirements also provides support for a Commission approval of the settlement.

For the above reasons, Staff recommends that the Commission approve the settlement, as it secures access to a cost effective, reliable natural gas supply for the Company's customers while minimizing the risk of costly upgrades to the Concord lateral and reliance on aging and costly propane peaking facilities. The NED project is a rare opportunity, and the Company is committed through the settlement to maximize demand growth and expansion of its distribution system, and to otherwise mitigate the cost burden to customers that may result from any initial, short-term excess capacity. The Precedent Agreement as amended by the settlement is good for EnergyNorth and its customers and will make natural gas available to more New Hampshire business and residents.

WHEREFORE, Staff respectfully requests that the Commission:

A. Unconditionally grant the Settlement Agreement; and

B. Grant such other relief as is just and equitable.

Respectfully submitted,

Rorie E. Patterson

Rorie E. Patterson
Staff Attorney
New Hampshire Public Utilities Commission
21 S. Fruit St., Ste. 10
Concord, NH 03301
(603) 271-5189
rorie.patterson@puc.nh.gov

Certificate of Service

I hereby certify that I provided a copy of this filing to the individuals on the service list for this docket by electronic mail.

August 7, 2015

Rorie E. Patterson

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