

State of New Hampshire
Public Utilities Commission

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

Liberty Utilities – Keene Division

Docket No. DG 16-812

Settlement Agreement Regarding Production Costs

This Settlement Agreement Regarding Production Costs (the “Agreement”) is entered into this 8th day of March, 2017, by Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities – Keene Division (“Liberty-Keene” or the “Company”), and the Staff of the Public Utilities Commission (“Staff”) (together, the “Parties”).

This Settlement Agreement resolves the issues raised in Staff’s December 22, 2016, Recommendation (“Recommendation”) related to recovery of Production Costs in the Winter 2016-17 cost of gas (“COG”) rates.

I. INTRODUCTION

In June 2016, Liberty-Keene filed its 2015-16 winter COG reconciliation report with the Commission’s Audit Staff. The reconciliation report included production costs that had not appeared in prior COG proceedings, mostly consisting of costs incurred to staff the Keene facility 24 hours per day, seven days per week after the December 19, 2015, event, and also consisting of other production costs not previously recovered through Keene’s COG rate (the “Production Costs”). The Company included the Production Costs because it interpreted the Liberty-Keene tariff to allow their recovery in the COG rate. Audit Staff agreed that Liberty-Keene’s COG tariff allows inclusion of the 24/7 costs and of some of the other production costs listed in the reconciliation report. Liberty-Keene accepted Audit Staff’s suggestion and limited

the Production Costs in its 2016-17 Winter COG filing to those approved by Audit Staff. Thus, the COG rates proposed in this docket included recovery of Production Costs that were incurred over the winters of both 2015-16 and 2016-17. The Commission approved the requested COG rates in Order No. 25,960 (Oct. 28, 2016).

Staff then filed the Recommendation that argued it was improper to have included the Production Costs in the 2016-17 winter COG rates. The Recommendation asked the Commission to remove \$124,190 of production cost expense from the 2016-17 winter COG rates, which is the amount of Production Costs estimated for the 2016-17 winter period.

In Order No. 25,986 at 2 (Feb. 7, 2017), the Commission scheduled an April 10, 2017, hearing to address the Production Cost Issue, and ordered that, “pending resolution of the issues raised in the Staff Recommendation, we hereby order Liberty-Keene to exclude actual and projected 2016-2017 winter production costs from future winter period 2016-2017 monthly projected over- or under-collection reports.” Liberty-Keene adjusted downward its COG rates by approximately \$0.50 per therm, effective March 1, 2017, in compliance with the order.

The Parties dispute whether Production Costs should be included in Liberty-Keene’s COG rates.

II. TERMS OF AGREEMENT

To resolve the dispute over Production Costs and related issues raised by the Recommendation, the Parties agree as follows:

A. Liberty-Keene shall recover Production Costs incurred over the 2015-16 winter season through the 2016-17 winter COG rate, and shall reconcile any over- or under-recovery through the 2017-18 winter COG rate;

B. Liberty-Keene shall recover one-half of the Production Costs incurred over the 2016-2017 winter season through the 2016-17 winter COG rate, and shall reconcile any over- or under-recovery through the 2017-18 winter COG rate;

C. Liberty-Keene shall not propose to recover Production Costs in its 2017 Summer COG filing.

III. CONDITIONS

This Agreement is expressly conditioned on the Commission's acceptance of all its terms, without change or condition. If the Commission does not accept this Agreement in its entirety, without change or condition, or if the Commission makes any findings that go beyond the scope of this Agreement, and any of the Parties notify the Commission within five business days of their disagreement with any such changes, conditions, or findings, the Agreement shall be deemed to be withdrawn, in which event it shall be deemed to be null and void and without effect, shall not constitute any part of the record in this proceeding, and shall not be relied on by the Parties or by the Commission for any other purpose.

The Parties agree that the Commission's approval of this Agreement will not constitute continuing approval of, or precedent for, any particular principle or issue, but such acceptance will constitute a determination that the resulting COG rates are just and reasonable and consistent with the public interest.

The discussions that produced this Agreement were conducted with the understanding that all offers of settlement and settlement discussions relating to this docket are confidential, not admissible as evidence in this proceeding, without prejudice to the position of any party or participant representing any such offer or participating in any such discussion, and not to be used in connection with any future proceeding or otherwise.

The information, reports, and testimony previously provided in this proceeding are not expected to be subject to cross-examination by the Parties, which would normally occur in a fully litigated case. The identification of the resolution of any specific issue in this Agreement does not indicate the Parties' agreement to that resolution for purposes of any future proceeding

(except for Section II-C above related to the Liberty-Keene 2017 Summer Cost of Gas proceeding), nor does the reference to any other document bind the Parties to the contents of, or recommendations in, that document for purposes of any future proceeding.

This Agreement may be executed by facsimile and in counterparts, each of which shall be deemed to be an original, and all of which, taken together, shall constitute one agreement binding on all Settling Parties.

Dated: March 8, 2017

Liberty Utilities (Granite State Electric) Corp. d/b/a
Liberty Utilities



By its Attorney, Michael J. Sheehan

Dated: March 8, 2017

Staff of the New Hampshire Public Utilities
Commission

By its Attorney, Alexander F. Speidel

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