

STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE: July 14, 2017
AT (OFFICE): NHPUC

FROM: Stephen Frink *SPF*
Assistant Director – Gas & Water Division
Alexander Speidel
Staff Attorney

SUBJECT: DG 17-107
Liberty Utilities
Special Contract with Joshua and Angela Ford

TO: Commissioners
Docket File
Service List

SUMMARY OF STAFF RECOMMENDATION

The Commission should approve the special contract pursuant to RSA 378:18.

BACKGROUND

Docket DG 16-827 – Concord Steam Customer Transition Fund

On October 14, 2016, a group of mostly non-governmental customers of Concord Steam Corporation (Concord Steam) filed a petition for Commission approval of a fund of \$1 million, to be established by Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities (Liberty). Ms. Angela J Ford was an intervenor in the docket and Joshua and Angela Ford filed testimony in support of the petition.

On April 3, 2017, Staff filed an alternative approach for giving Concord Steam customers transitional assistance. Staff's proposal was to limit assistance to non-governmental non-profit and residential customers that demonstrated that their cost of conversion would not be recovered in five years of energy savings as a result of converting to natural gas. Qualifying customers would be able to enter into a special contract with Liberty for on bill financing of up to \$50,000 of conversion costs, to be repaid by non-profit customers over seven years and residential customers over ten years, with no interest charged to customers. Staff's proposal capped total Liberty funding at \$200,000 and required that Staff confirm customer qualifications and verify that conversion costs are eligible for funding elements.

On May 11, 2017, the Commission issued Order 26,017 denying the petition and approving Staff's proposal.

Docket DG 17-107 – Liberty Special Contract with Fords

On June 23, 2017, Liberty filed a request for Commission approval of a special contract (Contract) with Fords for on bill financing for \$12,800 of the Fords' cost to convert from steam to natural gas, pursuant to RSA 378:18. The filing included the petition, the Fords Concord Steam billing history and a contractor's proposal to convert the Fords residence to natural gas.

Special Circumstances

Liberty contends that the Commission made findings of special circumstances through its approval of Staff's proposal, as the Staff proposal states, '...due to special circumstances with certain of those customers, [they] be offered some assistance in making the transition away from steam utility service to natural gas service, as long as they meet the eligibility test.'

According to Liberty, the Fords billing history and vendor estimate demonstrate that the Fords cannot recover conversion costs through five years of energy savings, to be confirmed by Staff, and therefore qualify for financial assistance to be funded by Liberty under the terms of the Contract.

Contract Terms

Liberty will provide for on-bill financing of \$12,800, which will incorporate a monthly surcharge of \$106.67 for ten years on the Fords' bills. The surcharge includes zero interest terms; and, the Fords may make additional payments and pay the loan off early without penalty, with the terms of the Contract adjusted accordingly.

Payment obligations will follow the original owner and property, jointly and severally. Liberty may refuse service to subsequent customers at the location if payment is not made.

The financing and payments will be included in the Local Distribution Adjustment Charge, the \$12,800 loan will be charged, and payments credited.

The Contract will become effective on the date of Commission approval and will terminate when the loan has been paid in full.

INVESTIGATION

Staff reviewed the filing and related dockets in evaluating: whether the Contract satisfies the statutory requirements of RSA 378:18; whether the terms of the special contract conform to the transitional assistance funding program approved by the Commission; whether the Fords are a qualifying participating customer; and that conversion costs are eligible for payment and rebates.

Staff compared the most recent twelve month Fords usage provided in the filing with Fords historical usage to determine if the resent usage provides a reasonable basis for calculating energy savings. Staff then compared the most recent 12 months of Fords steam usage to the cost of conversion to determine if the Fords are a qualifying participating customer under the terms of the approved transition assistance funding.

Staff reviewed the terms of the Contract with the transition assistance financing proposal requirements approved by the Commission.

FINDINGS

The Fords are a qualifying participating customer, as the estimated conversion cost of \$12,800 exceeds the \$2,125 of energy savings over 5 years. The energy savings were calculated by multiplying the most recent 12 months of usage (usage consistent with historical annual usage at that location) by the weighted average of the Concord Steam Usage and COE charges for October 2016 through May 2017 and subtracting the annual usage multiplied by the equivalent steam rate for the weighted average cost of the Liberty charges for October 2016 through April 2017. See Attached.

The conversion costs included in the contractor proposal are eligible for payment from the transition assistance fund, as the material and work contained in the proposal are for the materials and labor necessary to install and operate a new steam boiler using natural gas. The contractor proposal does not include any rebates.

The terms of the Contract incorporates the terms of the Commission approved transition assistance funding program from Liberty for Concord Steam customers converting to natural gas. To date Liberty has requested approval for two special contracts for customers to finance a total of \$62,800, well below the \$200,000 maximum amount available for transition assistance funding through Liberty.

STAFF SUMMARY & RECOMMENDATIONS

Circumstances exist to justify the departure from Liberty's standard tariff rates. In Order 26,017 the Commission found special circumstances exist for entering into a special contract with qualifying customers converting from Concord Steam service to Liberty natural gas service. That Order also established the conditions under which Liberty was

to provide financing to qualifying customers and recover the cost. The Order also established the customer eligibility requirements and required Staff to qualify participating customers.

The Fords are a qualifying customer and the terms and conditions of the special contract comply with the conditions of the transition assistance fund approved by the Commission.

Because the conversion costs are based on a contractor's proposal the Commission may wish to consider conditional approval whereby the contract would not take effect until the Fords has converted to natural gas and provided Staff with actual invoices for the conversion with a total cost that exceeds the estimated energy savings. Staff does not actually recommend conditional approval as the contractor proposal appears reasonable and the estimated conversion cost is far in excess of the estimated energy savings.

The Commission should issue an Order approving the contract at its earliest convenience as Concord Steam has terminated service and the Fords have historically taken steam service between October and April.

DG 17-107
Ford Conversion Costs & Energy Savings (5 years)

	Usage Mlbs.	COE Rate	Base Rate	Combined Rate	CSC Energy Charge	Equivalent Natural Gas Rate	Liberty Energy Charge
Oct-16	0.4	\$30.26	\$37.53	\$67.79	\$27.12	\$27.13	\$10.85
Nov-16	0.9	\$23.77	\$37.53	\$61.30	\$55.17	\$20.22	\$18.20
Dec-16	2.6	\$28.13	\$41.13	\$69.26	\$180.08	\$15.77	\$41.00
Jan-17	0.1	\$28.13	\$41.13	\$69.26	\$6.93	\$16.52	\$1.65
Feb-17	1.0	\$28.13	\$41.13	\$69.26	\$69.26	\$13.96	\$13.96
Mar-17	2.4	\$24.13	\$41.13	\$65.26	\$156.62	\$12.60	\$30.24
Apr-17	0.7	\$24.13	\$41.13	\$65.26	\$45.68	\$14.54	\$10.18
May-17 *	0.0	\$24.13	\$41.13	\$65.26	\$0.00		
Total	8.1				\$540.85		\$126.08

Weighted Average Rate to be Applied to Annual Usage \$66.77 \$15.57

Ford annual usage (April 2016 - March 2017) 8.3 Mlbs

Concord Steam Annual Energy Cost	\$554.21
Liberty Annual Energy Cost	\$129.20
Annual Energy Savings	\$425.01

Annual Energy Savings - 5 years \$2,125.07

Ford Conversion Cost Estimate \$12,800.00

Conversion Costs not Recovered from Energy Savings \$10,674.93

* Estimated usage (May 2016 actual usage)

SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED

Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.

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FILING INSTRUCTIONS:

- a) Pursuant to N.H. Admin Rule Puc 203.02 (a), with the exception of Discovery, file 7 copies, as well as an electronic copy, of all documents including cover letter with:**
- DEBRA A HOWLAND
EXECUTIVE DIRECTOR
NHPUC
21 S. FRUIT ST, SUITE 10
CONCORD NH 03301-2429
- b) Serve an electronic copy with each person identified on the Commission's service list and with the Office of Consumer Advocate.**
- c) Serve a written copy on each person on the service list not able to receive electronic mail.**