

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 17-135

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

2017-2018 Winter/Summer Cost of Gas Filing

Order Approving Cost of Gas Rates and Other Charges

ORDER NO. 26,066

October 31, 2017

APPEARANCES: Michael J. Sheehan, Esq., for Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities; Brian D. Buckley, Esq., of the Office of the Consumer Advocate, on behalf of residential ratepayers; Paul B. Dexter, Esq., for the Staff of the Public Utilities Commission.

In this order, the Commission approves Liberty's proposed 2017-2018 winter and summer cost of gas rates. For residential customers, the initial rate for the winter period (November 1, 2017-April 30, 2018) will be \$0.6445 per therm and the fixed-price option will be \$0.6645 per therm. The local delivery adjustment clause rate will be \$0.0856 per therm from November 1, 2017, through October 31, 2018. The initial cost of gas rate for residential customers during the summer period (May 1, 2018-October 31, 2018) will be \$0.3133 per therm. A typical residential customer will see an average monthly bill of about \$142 per month in winter 2017-2018 compared to \$128 for winter 2016-2017, and an average monthly bill of \$42 in summer 2018 compared to \$43 in summer 2017.

I. PROCEDURAL HISTORY

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities ("Liberty" or "the Company") is a public utility distributing natural gas to approximately 90,000 customers in

southern and central New Hampshire and in the city of Berlin. On August 29, 2017, in its tariff filing for the 2017-2018 winter and summer periods, Liberty proposed rate adjustments pursuant to its cost of gas (“COG”) clause. The proposed changes were to COG rates for firm sales customers, fixed winter COG rates under the fixed-price option (“FPO”), firm transportation COG rates, and local delivery adjustment clause (“LDAC”) rates.¹ The filing included direct testimony and supporting schedules.

The Commission issued an Order of Notice on September 22, 2017. On October 2, the Office of the Consumer Advocate (“OCA”) notified the Commission of its participation on behalf of residential ratepayers pursuant to RSA 363:28. There were no intervenors. Commission Staff and the OCA conducted discovery and held a technical session with Liberty on October 2.

The Company filed a Technical Statement on October 11, 2017, which corrected an error in the calculation of the average rate for liquefied natural gas (“LNG”) withdrawals, which affected the calculation of the proposed COG rates for sales customers and the firm transportation COG rate. Exhibit 3. Because the effect on the firm sales COG rates was minor, Liberty did not propose updated rates with the Technical Statement, but instead proposed to reflect the impact during reconciliation filings that will be made after the initial rates are set in this proceeding. The transportation COG rates are not subject to monthly reconciliation, however, Liberty proposed a revised tariff page 79 to correct the proposed transportation rate. Exhibit 4.

¹ To address inconsistent usage of the acronym, both Staff and the Company recommend that LDAC be consistently defined as “Local Delivery Adjustment Clause.” Exhibit 7. We concur and adopt this recommendation.

Liberty's filing and subsequent docket entries, other than any information for which confidential treatment is requested of or granted by the Commission, are posted on the Commission's website at <http://www.puc.nh.gov/Regulatory/Docketbk/2017/17-135.html>.

At the hearing held on October 13, 2017, in response to questions by Staff, Liberty agreed to file an explanation of the increase in forecasted 2017-2018 weather normalized firm sendout, as compared to weather normalized actual sendout from the previous winter. On October 20, Liberty provided that information. *See* Exhibit 9. In addition, in response to questions by the Commission, Liberty agreed to provide revised COG rates for firm sales customers and FPO rates to reflect correct LNG prices. Liberty submitted those revised rates as Exhibit 10. As requested by Staff, on October 27, Liberty filed a supplement to Exhibit 10 which included the bill impacts associated with the revised rates.

II. COST OF GAS ADJUSTMENT MECHANISM

The cost of gas adjustment mechanism was implemented in 1974 during a time of rapidly changing prices as a way to pass on to consumers price increases and decreases in energy supply costs quickly, without having to go through extended proceedings to change delivery rates. Supply costs make up approximately half of a residential heating customer's annual bill and include commodity prices (the cost of gas), the cost to transport the gas over the pipelines, and storage costs. Liberty has no control over the price of natural gas which is an unregulated commodity. Similarly, it has no price control over pipeline transportation rates, which are set by the Federal Energy Regulatory Commission. The COG mechanism allows the Company to pass along those costs to its customers directly and efficiently without mark-up or profit. COG rates are initially set using projected costs and sales for the upcoming winter and summer periods.

The Company may adjust its COG rates monthly to take into account changes in the natural gas market based on actual costs to date and projected costs for the remainder of the period.

In COG proceedings, the Commission also sets the LDAC rates that allow for recovery of expenses the Commission has approved in prior dockets through a per therm surcharge to be determined and implemented in the COG proceeding. Those expenses include costs associated with Liberty's low-income and energy efficiency programs, an environmental surcharge for manufactured gas plant remediation, and the energy efficiency resource standard lost revenue adjustment mechanism ("LRAM"). The LRAM is included in the LDAC in accordance with Order No. 25,932 (August 2, 2016), which approved a settlement agreement that provides for the implementation of a mechanism to recover lost revenue due to the installation of energy efficiency measures.

III. POSITIONS OF THE PARTIES AND STAFF

A. Liberty

In its initial filing of August 29, Liberty proposed several rates for approval, including: winter and summer COG rates for various rate classes (Exhibit 1 at 45-46); annual LDAC rates for various rate classes (Exhibit 1 at 45-46); a FPO COG rate for residential customers (Exhibit 1 at 49); and a firm transportation COG rate (Exhibit 1 at 50). *See also* Tr. at 21-24.

At the October 13 hearing, Liberty submitted a revised firm transportation COG rate (Exhibit 4) to reflect the lower LNG inventory withdrawal costs described in Exhibit 3. Liberty stated that the lower LNG costs affected the proposed COG rates as well, but that it opted not to submit revised COG rates because the changes were minor and could be handled in the monthly reconciliation filings. Tr. at 14-17. Liberty did not propose to revise the FPO COG rate because that rate had been fixed in August and offered to customers based on the best information Liberty

had at that time. In response to a request from the Commission, Liberty indicated that it would support revising the COG rates and the FPO rate to reflect the corrected LNG costs in this proceeding. Tr. at 88-89 and 93-95. Liberty submitted those revised rates as Exhibit 10.

As revised, Liberty's proposed winter COG per therm rate for the various rate classes is: \$0.6445 for residential; \$0.6433 for commercial and industrial (C&I) high winter use; and \$0.6560 for C&I low winter use. Liberty proposed initial summer COG per therm rates of \$0.3133 for residential, \$0.3084 for C&I high winter use, and \$0.3299 for C&I low winter use customers. The Company also proposed an LDAC rate of \$0.0856 per therm for residential customers from November 1, 2017, through October 31, 2018, and \$0.0674 per therm for C&I customers.

The following tables include the expected total bill impact based on the prior winter's and summer's average use of each customer class.

Winter 2017-2018 Projected Bill Impact

Class	2017-2018 (Projected)	2016-2017 (Actual)	% Change
R-3 Residential Heating	\$852	\$766	11%
G-42 C&I High Winter Use	\$14,491	\$12,799	13%
G-52 C&I Low Winter Use	\$10,120	\$9,017	12%

Summer 2018 Projected Bill Impact

Class	2018 (Projected)	2017 (Actual)	% Change
R-3 Residential Heating	\$255	\$260	-2%
G-42 C&I High Winter Use	\$3,046	\$3,254	-6%
G-52 C&I Low Winter Use	\$4,129	\$4,752	-13%

A typical residential heating customer will see an average monthly bill of about \$142 per month in winter 2017-2018 compared to \$128 for winter 2016-2017, and an average monthly bill of \$42 in summer 2018 compared to \$43 for summer 2017.

B. Staff

At the hearing, Staff expressed support for approval of the 2017-2018 COG and LDAC rates as originally filed, subject to future reconciliation. Tr. at 90. Based on the Company's response to a data request (Exhibit 6), Staff questioned the 2017-2018 gas sendout forecast which was used as a basis for the COG rate calculations and requested further explanation of the forecasted 2017-2018 sendout. The Company provided an explanation in Exhibit 9.

In addition, based on the testimony of Deborah Gilbertson (Exhibit 1 at 31) concerning an overstatement of the lost and unaccounted for gas (LUFG) percentage used to develop the sendout forecast for the 2016-2017 COG period, Staff questioned the actual cost of gas incurred during the winter of 2016-2017. Staff suggested that it investigate this LUFG and sendout issue outside of this COG proceeding to explore whether customers were charged for any unneeded gas costs as a result of this overstatement, and address any necessary adjustments in a future COG reconciliation. Tr. at 61-64.

C. OCA

The OCA supported the revised rates as presented in Exhibits 4 and 10, which incorporated the corrected LNG costs. Tr. at 90-91. In addition, the OCA requested the opportunity to further investigate the actual gas costs from 2016-2017 to determine any impacts from the Company's use of overstated LUFG, as well as the inclusion of the forecasted sales to iNATGAS gas in the 2016-2017 sendout forecast. Tr. at 17-20 and 64-66. The OCA requested that the Company re-run its gas dispatch model using a sendout forecast that corrected for the

LUFGE error and reflected actual volumes for iNATGAS (a large C&I customer) to determine what impact those two items had on gas costs billed to customers, and that it be allowed to revisit this issue in a future COG reconciliation proceeding.

IV. COMMISSION ANALYSIS

The Commission has broad statutory authority to set rates in addition to “powers inherent within its broad grant” of express authority. *Appeal of Verizon New England, Inc.*, 153 N.H. 50, 64-65 (2005) (citations omitted). The Commission applies the “just and reasonable” ratemaking standard of RSA 374:2 and RSA 378:7 when setting COG rates. Based on our review of the record in this docket, we approve the proposed, revised 2017-2018 winter and 2018 summer COG rates presented in Exhibits 4 and 10 as just and reasonable. We also approve Liberty’s LDAC rates presented in Exhibit 10. Since actual costs and revenues are reconciled every year, any adjustments needed as a result of further inquiry into these matters, including the issues raised by Staff and the OCA concerning the 2016-2017 sendout forecast and any impact on actual gas costs, can be made in Liberty’s COG filing for 2018-2019.

We note that the revised FPO rates presented in Exhibit 10 reflect corrected LNG costs. Although Liberty did not discover the LNG error until after the FPO rates were offered to customers in late August, it would be unjust to approve FPO rates in this Order that the Company and the Commission know would have been lower had the correct LNG costs been used in the initial filing, because the FPO rate is fixed for the winter season and not subject to reconciliation. We find that the revised FPO rates in Exhibit 10 are just and reasonable. We direct Liberty to inform the FPO customers that their rate will be reduced as a result of this Order.

Pursuant to *EnergyNorth Natural Gas, Inc. d/b/a National Grid NH*, Order No. 24,963 (April 30, 2009), the approved non-FPO rates may be adjusted downward so far as needed and

upward by no more than 25 percent, without further Commission action. *See also Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities*, Order No. 25,958 (October 26, 2016). By approving the corrected rates in Exhibit 10 at the beginning of the period, the 25 percent upward limit has an appropriate starting point.

Based upon the foregoing, it is hereby

ORDERED, that Liberty's 2017-2018 winter period COG per therm rates effective for service rendered on or after November 1, 2017, and Liberty's 2018 summer season per therm rates effective May 1, 2018, are approved as set forth in this Order, as follows:

Customer Class	2017-2018 Winter COG	2017-2018 Winter Maximum COG	2017-2018 Winter FPO	2018 Summer COG	2018 Summer Maximum COG
Residential	\$0.6445	\$0.8056	\$0.6645	\$0.3133	\$0.3916
C&I High Winter Use	\$0.6433	\$0.8041		\$0.3084	\$0.3855
C&I Low Winter Use	\$0.6560	\$0.8200		\$0.3299	\$0.4124

and it is

FURTHER ORDERED, that Liberty may, without further Commission action, adjust the COG rates based on the projected over- or under-collection for the period, the adjusted rate to be effective the first day of the month and not to exceed, cumulatively, a maximum rate of 25 percent above the approved rate with no limitation on reductions to the COG rates; and it is

FURTHER ORDERED, that Liberty shall provide the Commission with its monthly calculation of the projected over- or under-collection, along with the resulting revised COG rates for the subsequent month, not less than five business days prior to the first day of the subsequent month. Liberty shall include revised Calculation of the Firm Sales Cost of Gas Rate tariff pages and revised rate schedules under separate cover letter if Liberty elects to adjust COG rates, with revised tariff pages to be filed as required by N.H. Code Admin. Rules Puc 1603; and it is

FURTHER ORDERED, that the over- or under-collection shall accrue interest at the prime rate as reported by the Federal Reserve Statistical Release of Selected Interest Rates, the rate to be adjusted monthly; and it is

FURTHER ORDERED, that Liberty's proposed LDAC per therm rates for the period November 1, 2017, through October 31, 2018, effective for service rendered on or after November 1, 2017, are \$0.0856 and \$0.0674 for residential and C&I customers respectively; and it is

FURTHER ORDERED, that Liberty's proposed firm transportation winter COG rate of \$0.0027 per therm for the period November 1, 2017, through April 30, 2018, is approved; and it is

FURTHER ORDERED, that Liberty's proposed supplier balancing charge of \$0.20 per MMBtu of daily imbalance volumes is approved; and it is

FURTHER ORDERED, that Liberty's proposed transportation peaking service demand charge of \$20.06 per MMBtu of peak maximum daily quantity is approved; and it is

FURTHER ORDERED, that Liberty's company gas allowance factor of 2.1 percent is approved; and it is

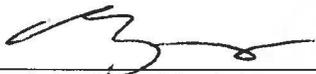
FURTHER ORDERED, that Liberty's proposed transportation capacity allocators as filed in proposed Third Revised Page 144, Superseding Second Revised Page 144 are approved; and it is

FURTHER ORDERED, that Liberty's proposed short-term debt limits of \$16,959,819 for fuel financing and \$87,593,557 for non-fuel financing for the period November 1, 2017, through October 31, 2018, are approved; and it is

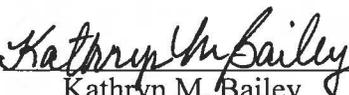
FURTHER ORDERED, that Liberty shall promptly file properly annotated tariff pages in compliance with this order no later than 15 days from the issuance date of this order, as required by N.H. Code Admin. Rules Puc 1603; and it is

FURTHER ORDERED, that Liberty shall file its proposed notice of rate change to customers with the Director of the Consumer Services and External Affairs Division, prior to delivery to its customers.

By order of the Public Utilities Commission of New Hampshire this thirty-first day of October, 2017.



Martin P. Honigberg
Chairman

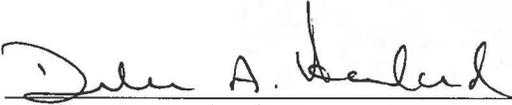


Kathryn M. Bailey
Commissioner



Michael S. Giaimo
Commissioner

Attested by:



Debra A. Howland
Executive Director

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
EXEC 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.**