

STATE OF NEW HAMPSHIRE

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July 18, 2019

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Debra A. Howland
Executive Director
New Hampshire Public Utilities Commission
21 South Fruit Street
Concord, NH 03301

Re: DG 19-068 Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities
Keene Division Summer 2019 Cost of Gas

Dear Ms. Howland:

Various Commission Staff members and a member of the Office of Consumer Advocate met with Liberty Utilities' personnel at a technical session held in this docket, on May 17, 2019. The parties discussed various accounting and regulatory issues concerning accounting for and recovering production costs related to the Keene distribution system. The following describes parties' recommendations regarding accounting for and recovery of the Liberty-Keene Division production costs.

A. Background

In the prior Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities (Liberty) distribution rate case, the Commission approved uniform distribution rates for all Liberty customers, including the Liberty-Keene Division customers. In addition, the Commission approved recovery of any production costs related to the Liberty-Keene propane/air system through the Liberty-Keene Division cost of gas (COG) rates. *See* Order No. 26,122 (April 27, 2018) at 38-41. The Commission also denied recovery of \$148,410 in costs related to the Liberty-Keene production facility. *Id.*

After further inquiry, Staff has determined that the Liberty distribution rate revenue requirement approved in Order No. 26,122 contained both labor and property tax costs related to the Liberty-Keene production facility. As a result, placing those production costs in the Keene COG, without simultaneously removing them from distribution rates, would result in a double recovery of those costs by Liberty. In order to rectify this situation Staff, the Office of Consumer Advocate (OCA) and Liberty recommend the following actions.

B. Keene Production Costs –May 1, 2018 to April 30, 2019

An adjustment will be made to the FERC 174 account to remove any Keene production labor and property tax costs that have been charged through the COG rates from May 1, 2018 to April 30, 2019. This way there will not be any production labor or property taxes included in the prior 2018 Summer and 2018-2019 winter COGs.

C. Keene Production Costs – May 1, 2019 to October 31, 2019.

An adjustment will be made to the FERC 174 account to remove any Keene production labor and property tax costs that have been charged since May 1, 2019 so that there will not be any Keene production costs in the current 2019 Summer COG. Liberty's calculation of the Keene projected over/under collection of gas costs for the 2019 summer period, filed monthly with the Commission and used in determining monthly Keene COG rate adjustments, will no longer include Keene production costs and the final reconciliation of the Keene summer COG will not include production costs.

D. Keene Production Costs – November 1, 2019 to next Liberty rate case

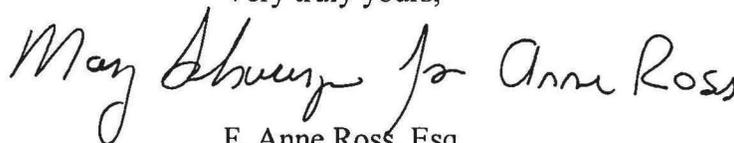
The Company will determine the amount of Keene production labor and property taxes included in the annual revenue requirement used to set the current consolidated distribution rates. Order No. 26, 122. Liberty will include those costs in its Keene winter 2019-2020 COG filing, and to avoid any double recovery, propose an equal reduction to distribution rates in a separate filing to be made on or before August 1, 2019. That is, the Company will add X hours of labor and appropriate property taxes to the COG and remove X hours of labor and appropriate property taxes from distribution rates. Staff and OCA support this distribution rate adjustment.

E. Disallowance of certain Keene Production Costs

Staff, OCA, and the Company have agreed that the \$148,410 of disallowed production costs addressed in Order No. 26,122 have been written off and the Company will not seek recovery of these costs. Although the disallowance was comprised primarily of production labor and property tax costs, there were some non-labor, non-property tax production costs in the disallowance. Liberty will not include those non-labor, non-property tax production costs in its Keene winter 2019-2020 COG filing or in its proposed reduction to distribution rates to be made on or before August 1, 2019. However, Liberty reserves the right to seek recovery of non-labor, non-property tax production costs in another future proceeding in which the Commission would have jurisdiction to address the issue.

Liberty, the OCA, and Commission Staff are in agreement with the above recommendations (paragraphs B-E) regarding accounting for, and recovery of, the Liberty-Keene Division production costs.

Very truly yours,



F. Anne Ross, Esq.
Staff Attorney

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Service List - Docket Related

Docket# : 19-068

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