STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DG 12-265

ENERGYNORTH NATURAL GAS, INC.
d/b/a LIBERTY UTILITIES

Winter 2012-2013 Cost of Gas

Order Approving Cost of Gas Rates and Other Charges

O R D E R N O. 25,435

October 30, 2012

APPEARANCES: Sarah B. Knowlton, Esq., for EnergyNorth Natural Gas, Inc. d/b/a Liberty Utilities; Rorie E.B. Hollenberg, Esq., of the Office of the Consumer Advocate, on behalf of residential ratepayers; and Alexander F. Speidel, Esq., for the Staff of the Public Utilities Commission.

I. PROCEDURAL HISTORY

On August 31, 2012, EnergyNorth Natural Gas, Inc. d/b/a Liberty Utilities (Liberty), a public utility distributing natural gas in 28 cities and towns in southern and central New Hampshire and the City of Berlin in northern New Hampshire, filed its cost of gas (COG) and other rate adjustments for the 2012-2013 winter period. Liberty's filing included the direct testimony and supporting attachments of Ann E. Leary, Manager of Pricing for National Grid Corporate Service LLC, which provides services related to COG to Liberty, Francisco D. DaFonte, Director of Energy Procurement for Liberty, and Michele V. Leone, manager of the New England site investigation and remediation program for National Grid, which is providing environmental-remediation services to Liberty for a transitional period. [1]

[1] Liberty also submitted, as part of its COG filing, certain information as confidential exhibits, filed pursuant to N.H. Admin. Rules, Puc 201.06(a)(25). This information comprised supplier commodity pricing and special terms of supply agreements, and other non-public financial information.

On September 10, 2012, the Commission issued an order of notice scheduling a hearing for October 16, 2012. On September 20, 2012, the Office of Consumer Advocate (OCA) notified the Commission, consistent with RSA 363:28, of its participation in the docket on behalf of residential ratepayers. There are no other intervenors in the docket. On September 24, 2012, Liberty provided an affidavit of publication stating that the order of notice had been published on September 13, 2012. Liberty submitted informational updates to its COG on October 12, 2012. A hearing on the matter was held as scheduled on October 16, 2012 before Hearings Examiner Marcia Thunberg, Esq., at which Liberty, the OCA, and Staff participated. Hearings Examiner Thunberg submitted a report on October 25, 2012 regarding this hearing, in which she adopted the recommendations of Staff and the parties to approve Liberty's COG rate filing. *See* Hearings Examiner Report of Marcia Thunberg.

II. POSITIONS OF THE PARTIES AND STAFF

A. Liberty

As set out more fully below, Liberty witnesses Leary and DaFonte addressed: (1) the calculation of the proposed firm sales COG rate and fixed-price option (FPO) rate and the resulting customer bill impacts; (2) the reasons for the change in COG rates; (3) supply reliability and price stability through Liberty's hedging; (4) transportation rates, allocators and other charges; (5) the local distribution adjustment clause (LDAC); and (6) proposed extension of Liberty's "Temporary Rate Reconciliation Adjustment" rate factor approved in Docket No. DG 11-192 into the November 2012-October 2013 period. Liberty witness Leone testified about the status of site investigation and remediation efforts at various manufactured gas plant (MGP) sites in New Hampshire. *See* Hearing Exhibit 2, Direct Testimony of Michele Leone.

1. Calculation of the Proposed Firm Sales COG Rates and Bill Impacts

Pursuant to the COG clause, Liberty may, subject to the Commission's jurisdiction, adjust semi-annually its firm gas sales rates to recover the costs of gas supplies, capacity and certain related expenses, net of applicable credits, as specified in Liberty's tariff. For the winter 2012-2013 period, the proposed average COG rate, which is the COG rate payable by residential customers, was calculated by adding the anticipated direct costs of $48,820,141 plus $295,808 of adjustments related to prior periods to the anticipated indirect costs of $3,420,439 and then dividing the total costs by the projected winter period sales volume of 77,755,617 therms. Direct costs are those costs relating to pipeline transportation capacity, storage capacity and commodity charges, while indirect costs include working capital, bad debt, and overhead charges. These costs are also subject to certain allowed adjustments including prior period over- or under-collections, interest and fuel financing costs.

Liberty's filing proposes a winter 2012-2013 COG rate of $0.6719 per therm for its non-fixed price option residential customers. This represents a $0.0590 per therm decrease compared to the weighted average residential rate of $0.7309 per therm last winter. The impact of the proposed firm sales COG rate, coupled with other changes in the LDAC and inclusion of the proposed extension of the "Temporary Rate Reconciliation Adjustment," is an overall decrease in the typical residential heating customer's winter costs of approximately $96, or 8.8 percent, compared to last winter. Liberty's proposed commercial and industrial (C&I) low winter use (LW) and high winter use (HW) COG rates are $0.6671 and $0.6736 per therm respectively, both of which are decreases compared to last winter's rates.

For those residential customers electing the FPO, Liberty's updated filing proposes a rate of $0.6919 per therm. The 2012-2013 FPO rate is set at $0.02 above the COG rate proposed in the COG filing, consistent with the method approved in *EnergyNorth Natural Gas, Inc. d/b/a KeySpan Energy Delivery New England*, Order No. 24,529 (Oct. 14, 2005). For C&I low winter and high winter use the proposed FPO rates are $0.6871 and $0.6936 per therm respectively. After accounting for other charges, the estimated winter bill for a typical residential customer using the FPO would be about $19, or 1.9%, higher than under the proposed COG rate, presuming no later adjustments are made to the COG rate. *See* Hearing Exhibit 2, Direct Testimony of Ann Leary at 10-11.

2. Reasons for the Decrease in the COG Rates

According to Liberty's filing, the decrease in the COG rates for this winter compared to last year is driven, in large part, by a substantial decrease in commodity costs. The filing indicates that pipeline commodity costs have decreased by about $8.8 million, and demand costs have decreased by $2.4 million. *See* Hearing Exhibit 2, Direct Testimony of Ann Leary at 8-9.

These cost decreases are offset, partially, by other factors, including a prior period under-collection. Regarding the under-collection, in the 2011-2012 winter period Liberty recorded a net under-collection of $1,719,376. According to Liberty's filing, this was caused by lower-than-forecasted sales during the March-April 2012 period due to warmer than normal weather. *See* Hearing Exhibit 2, Direct Testimony of Ann Leary at 9-10.

3. Supply Reliability and Price Stability - Hedging

Liberty testified to the availability of supply from Canadian and Gulf coast sources as well as its own storage capacity. With regard to those supplies, Liberty stated that it maintains sufficient facilities capable of utilizing LNG and propane in the event sufficient other gas supplies are not available. *See* Hearing Exhibit 2, Direct Testimony of Francisco DaFonte at 3-10.

Regarding price stability and hedging, Liberty indicates that it has hedged approximately 63% of its projected needs for the period. *See* Transcript of October 16, 2012 Hearing (Tr.) at 24. Regarding supply reliability, Liberty anticipates that it will have all of its available storage filled by December 1, 2012. *See* Hearing Exhibit 2, Direct Testimony of Francisco DaFonte at 8.

4. Transportation Rates, Allocators and Other Charges

The proposed firm transportation COG rate is $0.0002 per therm. This represents a slight increase from last winter's rate, which was a charge of $0.0000 (zero) per therm. As to other charges, in *Gas Restructuring-Unbundling and Competition in the Natural Gas Industry*, Order No. 23,652 (March 15, 2001), the Commission approved a supplier balancing charge and peaking service demand charge to be updated once a year, commencing with the November billing month. Supplier balancing charges relate to daily imbalances in each supplier's resource pool at Liberty delivery points (city gates). The suppliers pay Liberty's supplier balancing charges as compensation for costs incurred by Liberty to stay within daily operational balancing tolerances on the Tennessee Gas Pipeline. Peaking service demand charges reflect Liberty's peaking resources and associated costs.

Liberty proposes to decrease the supplier balancing charge from $0.22 per MMBtu to $0.19 per MMBtu of daily imbalance volumes, and to decrease the peaking service demand charge from $18.96 per MMBtu of peak maximum daily quantity (MDQ) to $18.62 per MMBtu of peak MDQ. Finally, the capacity allocator percentages, which are used to allocate pipeline, storage and local peaking capacity to a customer's supplier under the mandatory capacity assignment required by New Hampshire for non-grandfathered firm transportation service, have been updated to reflect Liberty's supply portfolio for the upcoming year, together with Liberty's company gas allowance factor percentage.

5. LDAC

Liberty's filing proposes a per therm LDAC of: $0.0258 for the residential classes; and $0.0187 for the Commercial and Industrial classes to be billed from November 1, 2012 through October 31, 2013. The LDAC is a combined rate of various surcharges by Liberty including the conservation charge, the energy efficiency charge, the environmental surcharge for MGP remediation, and the residential low income assistance program (RILAP).

Regarding the environmental surcharge for MGP remediation, Liberty's filing proposes that the environmental surcharge be increased from $0.0000 (zero) to $0.0011 for November 1, 2012 until October 31, 2013. Liberty witness Leone provided background regarding Liberty's ongoing MGP environmental remediation efforts at sites throughout New Hampshire. *See* Hearing Exhibit 2, Direct Testimony of Michelle Leone. At the hearing, it was noted that Staff had not finalized its review of the environmental surcharge-related costs; however, Staff would be able to address any further errors uncovered in the environmental remediation cost calculations in next winter's cost of gas filing. Tr. at 38.

Regarding the energy efficiency charge, which recovers expenses associated with Liberty's energy efficiency programs, Liberty proposes, in its updated filing, a residential rate of

$0.0147 per therm, a decrease of $0.0351 per therm from the current rate, and a C&I rate of $0.0076 per therm, a decrease of $0.0222 per therm from the current rate[2].

For the RILAP, which recovers administrative and other costs relative to discounts provided low-income customers, Liberty is proposing a charge of $0.0073 per therm, a decrease of $0.0019 from the current rate.

Liberty, as part of its COG filing, also requests extension of the terms of Order No. 25,286, granting the utility the right to collect, during the period of November 1, 2011 through October 31, 2012, a "Temporary Rate Reconciliation Adjustment" LDAC factor of $0.0116 per therm, as approved in Docket No. DG 11-192, to cover the true-up between temporary and permanent rates approved in the utility's most recent base rate case, Docket No. DG 10-017, together with related rate case expenses. *See* Hearing Exhibit 2, Direct Testimony of Ann Leary at 17-18. Liberty projects an under-collection, due to warmer-than-expected weather in 2011-2012, of $430,773 for this LDAC rate factor, and requests continued application of this LDAC charge during the November 1, 2012 through October 31, 2013 period to recover this projected under-collection. *Id.* The proposed continued charge to recover rate case expenses and the temporary and permanent rate reconciliation under recovery is $0.0027 per therm, a decrease of $0.0089 per them from the current rate.

B. OCA

The OCA stated that it had no objection to Liberty's COG rates as presented to the Commission. Tr. at 36-37.

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[2] Liberty's energy efficiency budgets are approved in the separate CORE Energy Efficiency Docket. *See* Docket No. DE 12-262.

C. Staff

Staff stated that it supported Liberty's COG rates as filed. Tr. at 37. Staff noted that the Commission's Audit Staff had reviewed last year's peak period reconciliation and found no exceptions. Tr. at 37. Also, Staff noted that the forecast for the coming year was consistent with Liberty's prior practices. Tr. at 37. Additionally, Staff pointed out that any issues regarding Liberty's forecasts would be reconciled at the time next year's peak period filing is made. Tr. at 37.

With regard to Liberty's supply plan, Staff noted that direct gas costs are based on actual or hedged prices and projected pricing that reflect market expectations. Tr. at 37.

As to the LDAC, Staff recommended approval of the revised LDAC charges, including the extension of the Temporary Rate Reconciliation adjustment factor approved in Docket No. DG 11-192 into the November 2012-October 2013 period, as just and reasonable. Tr. at 38. Staff noted that Audit Staff had not completed its review of Liberty's environmental remediation costs, but stated that any issues that may arise related to these costs could be addressed in the 2013-2014 Winter period COG filing review. Tr. at 38. Finally, Staff noted that Liberty's supplier balancing charges, company gas allowance factor, and capacity allocator percentages appeared to be accurate and reasonable and recommended that they be approved. Tr. at 38.

III. COMMISSION ANALYSIS

Based upon our review of the record presented in this docket, we find that Liberty's proposed adjustments will result in just and reasonable rates as required by RSA 378:7. Specifically, we approve the proposed 2012-2013 winter period COG, FPO and Transportation COG rates. We also approve Liberty's LDAC rate components (including the conservation charge, environmental cost recovery charge, and residential low income assistance program charge), transportation supplier balancing rate, transportation peaking service demand rate, and transportation capacity allocators. Since the COG rates are reconciled year over year, any adjustments needed as a result of further inquiry into these matters can be made in Liberty's next winter COG proceeding, for 2013-2014. With regard to the proposed extension of the rate case expense factor component of the LDAC, with downward adjustment, to recover the residual amount of $430,773 remaining from the recoverable expenses approved by the terms of Order No. 25,280 and Order No. 25,286, we approve this as a just and reasonable means to recover these approved expenses.

Based upon the foregoing, it is hereby

ORDERED, that Liberty's 2012-2013 winter COG and FPO per therm rates for the period November 1, 2012 through April 30, 2013 are APPROVED, effective for service rendered on or after November 1, 2012 as follows:

	Cost of Gas	**Maximum COG**	**Fixed Price**
Residential	$0.6719	$0.8399	$0.6919
C&I, low winter use	$0.6671	$0.8339	$0.6871
C&I, high winter use	$0.6736	$0.8420	$0.6936

and it is

FURTHER ORDERED, that Liberty may, without further Commission action, adjust the COG rates upward by no more than 25 percent and downward so far as is necessary based upon its projected over- or under-collection, consistent with *EnergyNorth Natural Gas, Inc. d/b/a National Grid NH*, Order No. 24,963 (April 30, 2009); and it is

FURTHER ORDERED, that Liberty shall provide the Commission with its monthly calculation of its projected over- or under-collection, along with resulting revised COG rates for the subsequent month, if applicable, not less than five business days prior to the first day of the subsequent month. Liberty shall include a revised tariff page 87, Calculation of Firm Sales Cost of Gas Rate, and revised rate schedules if it elects to adjust the COG rates; and it is

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

FURTHER ORDERED, that Liberty's proposed 2012-2013 LDAC per therm rates for the period November 1, 2012 through October 31, 2013, are APPROVED effective for service rendered on or after November 1, 2012 as follows:

	Rate Case	**Envir.**	**Energy Efficiency**	**Low Income**	**LDAC**
Residential	$0.0027	$0.0011	$0.0147	$0.0073	$0.0258
Commercial & Industrial - Sales	$0.0027	$0.0011	$0.0076	$0.0073	$0.0187
Commercial & Industrial - Transportation	$0.0027	$0.0011	$0.0076	$0.0073	$0.0187

and it is

FURTHER ORDERED, that Liberty's proposed firm transportation winter COG rate of $0.0002 per therm for the period November 1, 2012 through April 30, 2013, is APPROVED; and it is

FURTHER ORDERED, that Liberty's proposed transportation supplier balancing charge of $0.19 per MMBtu of daily imbalance volumes, is APPROVED; and it is

FURTHER ORDERED, that Liberty's proposed transportation peaking service demand charge of $18.62 per MMBtu of peak MDQ, is APPROVED; and it is

FURTHER ORDERED, that Liberty's company gas allowance factor of 1.6 percent is APPROVED; and it is

FURTHER ORDERED, that Liberty's proposed transportation capacity allocators as filed in Proposed First Revised Page 156, Superseding Original Page 156, are APPROVED; and it is

FURTHER ORDERED, that Liberty shall 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.

By order of the Public Utilities Commission of New Hampshire this thirtieth day of October, 2012.

Amy L. Ignatius Chairman	Michael D. Harrington Commissioner	Robert R. Scott Commissioner

Attested by:

Debra A. Howland
Executive Director