STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DG 13-085

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

2013 Summer Season Cost of Gas

Order Approving Cost of Gas Rates

O R D E R N O. 25,501

April 29, 2013

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 March 15, 2013, 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) rate adjustments for the 2013 summer period, May 1, 2013 through October 31, 2013.[1] Liberty's filing included the direct testimony and supporting attachments of Mark G. Savoie, a Utility Analyst for Liberty, and Francisco D. DaFonte, Director of Energy Procurement for Liberty.

On March 20, 2013, the Commission issued an order of notice scheduling a hearing for April 12, 2013. On March 21, 2013, 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 were no other intervenors in the docket. A hearing on the matter

[1] Liberty supplied certain schedules under a request for confidential treatment made pursuant to N.H. Code Admin. Rules Puc 201.04(a)(5), 201.06(a)(26), and 201.07.

was held as scheduled on April 12, 2013, at which Liberty, the OCA, and Staff participated. Liberty filed revisions to certain pages of its summer 2013 COG tariff as an exhibit at hearing. *See* Hearing Exhibit 3, filed April 12, 2013.

II. POSITIONS OF THE PARTIES AND STAFF

A. Liberty

As set out more fully below; Liberty witnesses Savoie and DaFonte addressed the calculation of the proposed COG rates, customer bill impacts, reasons for the rate increases, and changes to the Company's supply portfolio.

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 summer 2013 period, the proposed average COG rate, which is the COG rate payable by residential customers, was calculated as follows.

- The total costs were calculated by summing the anticipated direct costs of $12,000,198, the $54,953 of adjustments related to prior periods and the anticipated indirect costs of $317,848
- The total costs were then divided by the projected summer period sales volume of 18,378,342 therms to obtain the average COG rate.

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 2013 summer season residential COG rate of $0.6732 per therm. This represents a $0.1629 per therm increase from the weighted average 2012 summer season residential COG rate of $0.5103 per therm. The impact of the proposed COG rate is an increase in the typical residential heating customer's summer gas costs of approximately $38, or 10.4 percent, when compared to the average COG rates for the 2012 summer period. Liberty's proposed commercial and industrial (C&I) low winter use (LW) and high winter use (HW) 2013 summer period COG rates are $0.6661 and $0.6759 per therm respectively, both of which are increases compared to 2012 summer period C&I COG rates, and are commensurate with the residential 2013 summer period COG rate increase.

2. Reasons for the Increase in the COG Rates

According to Liberty's filing, the increase in the COG rates for this summer period compared to last year's is driven by increased commodity costs, together with the expiration of a substantial prior period over-collection and a pipeline refund credit that had served to considerably offset summer 2012 COG costs. *See* Hearing Exhibit 2, Direct Testimony of Mark Savoie at 5-6.

3. Supply Reliability

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. Liberty witness DaFonte also discussed recent changes to Liberty's gas supply portfolio. *See* Hearing Exhibit 2, Direct Testimony of Francisco DaFonte at 2-8.

B. OCA

The OCA stated that it had no objection to Liberty's 2013 summer period COG rates as presented to the Commission. *See* Transcript of April 12, 2013 Public Hearing (Tr.) at 42-43.

C. Staff

Staff stated that it supported Liberty's 2013 summer period COG rates as filed. Tr. at 43. Also, Staff noted that the sales forecast mechanism for the summer period was consistent with Liberty's prior practice. Tr. at 43. Additionally, in light of Commission Audit Staff's ongoing review of the Liberty summer 2013 COG filing, Staff pointed out that any issues regarding Liberty's summer 2013 COG filing would be reconciled at the time the 2014 summer period COG filing is made. Tr. at 44-45.

Through cross-examination of Liberty witness, Mr. Savoie, Staff examined Liberty's methodology for calculation of typical customer usage for the purposes of assessing COG bill impacts. Tr. 21-25. In response, Mr. Savoie indicated that Liberty would work with Staff and the OCA to develop a more-accurate figure for COG bill impact purposes, a position supported and reconfirmed by Staff. Tr. at 24, 45.

Through cross-examination, Staff questioned Liberty regarding the results of the "SENDOUT" supply optimization computer model which showed utilization of storage supplies when lower cost alternatives were available. Mr. DaFonte explained that the SENDOUT model had not been rerun to reflect updated pricing but that when it comes time to purchase the supplies Liberty will purchase the lowest cost supplies. Tr. At 25-28. With regard to Liberty's supply plan, Staff noted, in general, that direct gas costs are based on actual or hedged prices and projected pricing that reflect market expectations. Tr. at 44. Staff did note that Liberty used outdated pricing data as SENDOUT inputs for illustrative purposes, which led to counter-intuitive results for supply forecasting being presented within Liberty's summer 2013 COG filing. Tr. at 43-44. Staff expressed confidence that Liberty would apply least-cost supply principles in its summer 2013 operations, but did urge Liberty to use up-to-date SENDOUT input data for supply planning presentations made in future COG filings. Tr. 43-44.

III. COMMISSION ANALYSIS

Based on our review of the record in this docket, we approve the proposed 2013 summer period COG rates as just and reasonable pursuant to RSA 378:7. We note also that pursuant to *EnergyNorth Natural Gas, Inc. d/b/a National Grid NH*, Order No. 24,963 (April 30, 2009), the approved rate may be adjusted downward so far as is needed, and upward by no more than twenty-five percent, without further Commission action.

We also support the proposal that Staff, and the OCA, work together with Liberty to develop a more accurate typical customer usage methodology, and if appropriate, for calculating COG rate impacts. We also expect Liberty to use up-to-date market data in its supply-planning forecasts in future COG filings.

Based upon the foregoing, it is hereby

ORDERED, that Liberty's proposed 2013 summer season COG rates for the period May 1, 2013 through October 31, 2013 are APPROVED, effective for service rendered on or after May 1, 2013 as follows:

	Cost of Gas	Maximum COG
Residential	$0.6732	$0.8415
C&I, low winter use	$0.6661	$0.8326
C&I, high winter use	$0.6759	$0.8449

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 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 twenty-ninth day of April, 2013.

Amy L. Ignatius
Chairman

Robert R. Scott
Commissioner

Attested by:

Debra A. Howland
Executive Director