

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 14-076

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

2014 Summer Season Cost of Gas

Order Approving Cost of Gas Rates

ORDER NO. 25,658

April 30, 2014

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

In this order, the Commission approves Liberty's 2014 summer cost of gas rates including a residential rate of \$0.5436 per therm. The new cost of gas rate will cause a typical residential customer's bill to be \$30 lower over the six month summer period compared to last summer.

I. PROCEDURAL HISTORY

Liberty Utilities (EnergyNorth Natural Gas) Corp., d/b/a Liberty Utilities (Liberty), is a public utility distributing natural gas in 28 cities and towns in southern and central New Hampshire and in the City of Berlin in northern New Hampshire. On March 17, 2014, Liberty requested approval of its cost of gas (COG) rate adjustments for the 2014 summer period of

May 1 through October 31, 2014. Hearing Exhibit 1.¹ Liberty's filing consisted of the direct testimony and supporting attachments of Mark G. Savoie, a Utility Analyst for Liberty, and Francisco C. DaFonte, Senior Director of Energy Procurement for Liberty.

The Commission issued an order of notice scheduling a hearing for April 16, 2014. 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. The hearing was held as scheduled.

II. POSITIONS OF THE PARTIES AND STAFF

A. Liberty

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

Pursuant to the COG clause in Liberty's tariff, Liberty may adjust its firm gas sales rates every six months to recover the costs of gas supplies and capacity, with related expenses and credits. For the summer 2014 period Liberty calculated the proposed average COG rate, which is the COG rate paid by residential customers, by dividing the total gas costs by the projected therms to be sold.

To calculate the total gas costs, Liberty started with anticipated direct costs of \$11,591,457, subtracted \$1,123,162 in adjustments related to prior periods, and added the anticipated indirect costs of \$224,071. Ex. 1 at 6-7. The total gas cost figure was then divided by the projected summer period sales volume of 19,670,156 therms, resulting in the average

¹ Liberty filed certain schedules subject to a request for confidential treatment pursuant to N.H. Code Admin. Rules Puc 201.04(a)(5), 201.06(a)(26), and 201.07. Puc 201.06(b) defers a determination regarding confidentiality until such time as the Commission receives a request for release of those documents. The confidential version of Liberty's filing was marked as hearing Exhibit 1; the redacted public version was marked as hearing Exhibit 2. References in this order will be to Exhibit 1, although Exhibit 2 is identical except for the redactions.

COG rate. Ex. 1 at 6. Direct costs are related to pipeline transportation capacity, storage capacity and commodity charges. Indirect costs include working capital, bad debt, and overhead charges. These costs are subject to certain adjustments including prior period over- or under-collections, interest, and fuel financing costs. *Id.* at 7.

Liberty proposed a 2014 summer season residential COG rate of \$0.5436 per therm. This represents a \$0.1369 per therm decrease from the weighted average 2013 summer season residential COG rate of \$0.6805 per therm. Ex. 1 at 5. The bill impact of the proposed COG rate is a decrease in the typical residential heating customer's summer gas costs of approximately \$19 or 7.9 percent compared to the 2013 summer period. *Id.* at 10. Liberty's proposed commercial and industrial low winter use and high winter use 2014 summer period COG rates are \$0.5377 and \$0.5456 per therm respectively. *Id.* at 5. The bill impact of these proposed COG rates compared to the average 2013 summer period commercial and industrial COG rates is a decrease of \$30 or 6.2 percent. *Id.* at 10.

2. Reasons for the Decrease in the COG Rates

Mr. Savoie testified that the lower COG for the 2014 summer period is due to decreases in demand costs and commodity costs, a decrease in indirect gas costs, and an over-collection of \$1,146,406 from the 2013 summer period. Ex. 1 at 8. These decreases more than offset an increase in the NYMEX futures price. *Id.* at 7-8. The summer 2013 over-collection was caused by a lower than projected actual cost of gas. *Id.* at 9-10; Transcript of April 16, 2014, Hearing (Tr.) at 34.

3. Supply Reliability

Mr. DaFonte testified that there are no changes to Liberty's firm transportation contracts from the summer of 2013. Ex. 1 at 18; Tr. at 16. He described modest changes to Liberty's supply contracts. Ex. 1 at 18-19; Tr. at 16-17. Liberty stated that it maintains sufficient facilities to use liquefied natural gas and propane in the event other gas supplies are not available. Ex. 1 at 20-21. Mr. DaFonte also described how Liberty calculated the quantity of gas it expected to sell in the summer of 2014, a factor in determining the COG rates. Ex. 1 at 21.

4. Occupant Accounts

Mr. Savoie testified that a portion of the unaccounted for gas that Liberty recovers through the COG rates comes from what are called "occupant accounts." Tr. at 11. Occupant accounts are properties where the customer requested a termination of service, Liberty conducted a final meter read to close out that customer but did not physically terminate service, and gas use thereafter exceeds 13 ccf without a new customer having applied for service. Ex. 1 at 11; Tr. at 14-15. Occupant accounts are difficult to monitor and increase Liberty's unaccounted-for gas, the cost of which is born by rate payers. Liberty agreed to review and make necessary changes to its occupant account policies. Tr. at 21.

Finally, Mr. Savoie testified that the Commission Audit Division's review of Liberty's summer 2013 COG filing resulted in no significant findings. Tr. at 10.

B. OCA

The OCA stated that it had no objection to Liberty's 2014 summer period COG rates as presented to the Commission. Tr. at 42. The OCA asked the Commission to direct Liberty to report on three issues prior to the winter period COG proceeding: (1) the results of Liberty's

examination of company use meters in light of the error Liberty discovered and corrected in a Tilton meter; (2) any changes in Liberty's occupant account policies; and (3) provision of some occupant account data from September and October 2013 that was unavailable at the time of the hearing. Tr. at 42.

C. Staff

Commission Staff (Staff) supported Liberty's 2014 summer period COG rates as filed. Tr. at 43.

III. COMMISSION ANALYSIS

We approve the proposed 2014 summer period COG rates as just and reasonable pursuant to RSA 378:7. We note that pursuant to *EnergyNorth Natural Gas, Inc. d/b/a National Grid NH*, Order No. 24,963 (April 30, 2009), Liberty may adjust the approved rates downward so far as is needed, and upward by no more than 25 percent without further Commission action to eliminate or reduce projected over- or under-recoveries in a timely and efficient manner. Thus, the monthly COG rates can be adjusted to reflect actual costs and revised cost projections throughout the period within that 25 percent cap.

We support the proposal that Staff and the OCA work with Liberty to develop appropriate changes in Liberty's occupant account procedures. Finally, we grant the OCA's requests that Liberty provide a report to Staff and the OCA on Liberty's review of its company use meters and on the status of its occupant account policy. These reports shall be filed before or as part of Liberty's winter 2014-2014 COG filing.

Based upon the foregoing, it is hereby

ORDERED, that Liberty’s proposed 2014 summer season COG rates for the period May 1, 2014, through October 31, 2014, are APPROVED as set forth in this Order, effective for service rendered on or after May 1, 2014, as follows:

	Cost of Gas	Maximum COG
Residential	\$0.5436	\$0.6795
C&I, low winter use	\$0.5377	\$0.6721
C&I, high winter use	\$0.5456	\$0.6820

and it is

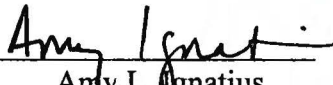
FURTHER ORDERED, that Liberty may, without further Commission action, adjust the COG rates based upon the projected over-/under-collection for the period, the adjusted rate to be effective the first of the month and not to exceed a maximum rate of 25 percent above the approved rate with no limitation 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 tariff page 87 - Calculation of Cost of Gas Adjustment and revised rate schedules under separate cover letter if Liberty elects to adjust the COG rates, with revised tariff pages to be filed as required by N.H. Code Admin. Rules Puc 1603; and it is

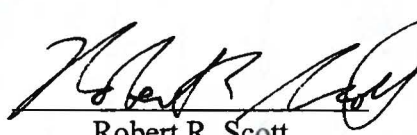
FURTHER ORDERED, that the over- or under-collection shall accrue interest at the monthly prime lending rate as reported by the Federal Reserve Statistical Release of Selected Interest Rates; and it is

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


By order of the Public Utilities Commission of New Hampshire this thirtieth day of April, 2014.



Amy L. Ignatius
Chairman



Robert R. Scott
Commissioner



Martin P. Honigberg
Commissioner

Attested by:



Debra A. Howland
Executive Director