

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 15-091

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

2015 Summer Period Cost of Gas Adjustment

Order Approving Cost of Gas Rates

ORDER NO. 25,781

April 27, 2015

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

In this order we approve Liberty's proposed 2015 Summer Period Cost of Gas rates including a residential rate of \$0.3073 per therm. The new rate will lower the cost of gas portion of a residential customer's bill for the six month summer period by \$30, or 40 percent. When combined with other rate changes that have been implemented since last summer, the 2015 total summer bill is expected to decrease about 1 percent, from \$223 to \$220 from the summer of 2014.

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. On March 17, 2015, Liberty filed proposed rate adjustments pursuant to the cost of gas (COG) clause in its tariff for the period May 1 through October 31, 2015. The filing includes the direct testimony and supporting schedules of Francisco C. Dafonte and David B. Simek. Exhibits 1 and 2.¹ Liberty updated its filing to include in its rate

¹ Exhibit 1 is the confidential version of Liberty's filing. Exhibit 2 is a copy of the same document redacted to protect those sections for which the company sought confidential treatment.

calculations more recent NYMEX prices and the effects of a refund from Portland Natural Gas Transportation System (PNGTS). Liberty also filed a request for confidential treatment of some portions of its filing pursuant to N.H. Code of Admin. R. Puc 201. 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>.

The Commission issued an order of notice scheduling a hearing for April 21, 2015. 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 conducted discovery and a technical session, which representatives of the OCA attended. The hearing was held as scheduled at which Liberty's witnesses adopted their pre-filed testimony and provided additional live testimony. The Commission granted Liberty's request for confidential treatment during the hearing. Transcript of April 21, 2015, hearing (Tr.) at 6.

II. COST OF GAS ADJUSTMENT MECHANISM

The cost of gas adjustment mechanism was implemented in 1974 during an era of rapidly changing prices to provide a way to immediately pass on to customers any price increases and decreases in supply costs without having to go through an extended proceeding to change delivery rates. Supply costs make up approximately 70% of a residential heating customer's annual bill and consist primarily of commodity prices (the cost of the natural gas itself), the cost to transport the gas over the pipelines, and storage costs. The Company has no control over the price of natural gas, which is an unregulated commodity, or over pipeline transportation rates, which are set by the Federal Energy Regulatory Commission. The COG mechanism allows the Company to directly pass those costs to customers, but prohibits any mark-up of, or profit on,

those costs. COG rates are initially set using projected costs and sales for the upcoming summer or winter period. The Company may adjust 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.

The cost of gas purchased, transported, and stored during the summer to meet winter demand are recovered through winter rates. Therefore, winter supply rates are typically much higher than summer supply rates.

All supply costs and revenues are reconciled semi-annually. During each summer COG rate proceeding, the Commission reconciles the actual costs and revenues from the prior summer period. Likewise, during each winter COG proceeding, the Commission reconciles the actual costs and revenues of the prior winter. The results of the reconciliations are reflected in the COG rate going forward. A more detailed description of supply costs and how rates are set can be found on the Commission website at <http://www.puc.nh.gov/Gas-Steam/gas-steam.htm>.

Another rate the Commission sets within the context of COG proceedings is the local delivery adjustment clause charge (LDAC). The LDAC allows for recovery of expenses the Commission has approved in prior dockets through a per therm surcharge to be determined and implemented in a COG proceeding. These expenses include costs associated with the Company's low-income financial assistance and energy efficiency programs, environmental remediation related to manufactured gas plants, and costs related to distribution rate cases such as rate case expenses and reconciliation of temporary and permanent rates. The expenses approved for recovery and revenues collected through the surcharge are reconciled and future rates are adjusted accordingly. The Commission typically reviews and adjusts the LDAC during the winter COG proceeding, although the LDAC may be adjusted during the summer period as well.

III. POSITIONS OF THE PARTIES

A. Liberty

Liberty proposed residential, commercial/industrial (C&I) high winter use, and C&I low winter use, summer COG per-therm rates of \$0.3073, \$0.3210, and \$0.2728, respectively.² The following table compares the proposed rates with the weighted average rates for last summer and the expected bill impact based on last summer's average use of those customer classes. The table also reflects an increase in the LDAC approved in last winter's COG proceeding, and a temporary increase in delivery rates that went into effect on December 1, 2014, and will remain in effect pending a determination on permanent rates in Docket No. DG 14-180, an unrelated delivery rate proceeding.

Rates (weighted average) & Bill Impacts (average usage)								
		Rate			Cost (6 months)			
Class	Charge	2014	2015	Change	2014	2015	Change	% Change
R-3 Residential	COG	0.5062	0.3073	(0.1989)	75	45	(29)	-39%
Heating	LDAC	0.0290	0.0772	0.0482	4	11	7	166%
	Delivery	0.9715	1.1041	0.1326	144	163	20	14%
	Total	1.5078	1.4893	(0.0185)	223	220	(3)	-1%
G-42 C&I	COG	0.5155	0.3210	(0.1945)	1,681	1,046	(634)	-38%
Medium Annual	LDAC	0.0357	0.0628	0.0271	116	205	88	76%
High Winter	Delivery	0.4975	0.5656	0.0681	1,622	1,844	222	14%
	Total	1.0488	0.9494	(0.0993)	3,419	3,095	(324)	-9%
G-52 C&I	COG	0.4912	0.2728	(0.2184)	2,748	1,526	(1,222)	-44%
Medium Annual	LDAC	0.0357	0.0628	0.0271	200	351	152	76%
Low Winter	Delivery	0.2544	0.2891	0.0347	1,423	1,617	194	14%
	Total	0.7813	0.6247	(0.1566)	4,371	3,494	(876)	-20%

Reasons for the Decrease in the COG Rates

Mr. Simek testified that the lower COG for the 2014 summer period is due to current and projected market conditions, which are reflected in a decrease in the NYMEX futures price, and

² The C&I "high winter" and "low winter" COG rates reflect the cost differential to serve those customer classes as determined through a Market Based Allocation (MBA) COG analysis that established ratios to be used in setting summer and winter COG rates.

to a \$1.2 million over-collection during the summer 2014 period. Exhibit 1 at 19, 21. Mr. Simek explained that the over-collection occurred because the summer started with a similar over-collection and because gas costs were lower than predicted. *Id.* at 21.

Supply Reliability

Liberty reported that its portfolio of transportation contracts has not changed since last summer. Exhibit 1 at 3-5; Tr. at 17-18. Liberty has firm capacity on various pipelines to receive up to 107,883 decatherms per day. Exhibit 1 at 3-5. Liberty stated that there have been some changes to its supply contracts since the 2014 summer COG proceeding. Liberty finalized five requests for proposals for supply and for asset management. *Id.* at 6-8. Liberty stated that it continues to own LNG and propane facilities in Amherst, Concord, Manchester, Nashua, and Tilton. *Id.* at 8-9. Mr. Dafonte also explained that Liberty's demand charges increased slightly because it reassigned to marketers some pipeline capacity available at Dracut that Liberty previously held for peaking purposes. Mr. Dafonte testified that Liberty no longer needs this capacity for peaking. Tr. at 19-20.

Occupant Accounts

Liberty's "soft off" policy establishes what it calls "occupant accounts" for properties where there has been a termination of service and a final meter reading, but where gas use exceeds a threshold since that last reading. The cost of occupant accounts gas is recovered in COG proceedings, subject to certain limitations. Liberty is in the process of implementing changes in its "soft off" policy. Mr. Simek provided historical data on Liberty's occupant accounts in this filing. *Id.* at 22. According to Liberty, the data show a decline in the number of occupant accounts and Mr. Simek testified that he expected a further reduction when the "soft off" policy proposed in Liberty's ongoing rate case is implemented. Tr. at 21-24.

Mr. Simek testified that the Commission Audit Division's review of Liberty's summer 2014 COG filing has been completed and that it identified some issues with Liberty's starting balances. Mr. Simek testified that the audit found no issues with the ongoing accounting and that Liberty would fix the identified issues before the next COG proceeding. Tr. at 16-17.

PNGTS Refund

Finally, Liberty discussed a refund of approximately \$715,000 it recently received from PNGTS arising from PNGTS's rate case before the Federal Energy Regulatory Commission. Tr. at 8-9. Liberty's revised filing proposes that Liberty return the money to customers in equal amounts of approximately \$357,000 over this summer and the upcoming winter period. Tr. at 9-10. Liberty will hold the balance of the refund which will earn 3.25% interest, until it is credited to customers in full. Tr. at 13. The refund reduces the COG rate by approximately two cents.

B. OCA

The OCA stated at hearing that it does not object to the proposed COG rates. Tr. at 28. Regarding the PNGTS refund, the OCA stated it preferred a return of the money in a single COG period, but did not object to the refund being paid over the next two periods because the money will earn appropriate interest. Tr. at 28-29.

C. Staff

Staff also stated that it supports Liberty's proposed COG rates for the 2015 summer period and does not object to having the refund paid over the next two COG periods. Tr. at 29.

IV. COMMISSION ANALYSIS

The Commission has broad statutory authority to set rates in addition to "powers inherent within its broad grant" of express statutory authority. *Appeal of Verizon New England, Inc.*, 153 N.H. 50, 64, 64-65 (2005) (citations omitted). The Commission applies the "just and

reasonable” ratemaking standard of RSA 378:7 when setting COG rates. *Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities*, Order No. 25,658 (Apr. 30, 2014).

Based on our review of the record in this docket, we approve the proposed 2015 summer period COG rates as just and reasonable.

We note that pursuant to *EnergyNorth Natural Gas, Inc. d/b/a National Grid NH*, Order No. 24,963 (Apr. 30, 2009), the approved rates may be adjusted downward so far as is needed, and upward by no more than twenty-five percent, without further Commission action.

Based upon the foregoing, it is hereby

ORDERED, that Liberty’s 2015 summer period COG rates, for May 1, 2015, through October 31, 2015, are **APPROVED** as set forth in this Order, effective for service rendered on or after May 1, 2015, as follows:

Customer Class	2015 Summer Cost of Gas	2015 Summer Maximum COG
Residential	\$0.3073	\$0.3841
C&I, high winter use	\$0.3210	\$0.4013
C&I, low winter use	\$0.2728	\$0.3410

and it is

FURTHER ORDERED, that Liberty may, without further Commission action, adjust the COG rates based upon the projected over- or under-collection for the period, the adjusted rate to be effective the first 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 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 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 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 twenty-seventh day of April, 2015.

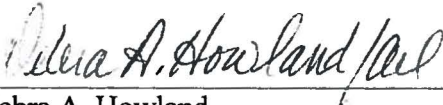


Martin P. Honigberg
Chairman



Robert R. Scott (KNS)
Commissioner

Attested by:



Debra A. Howland
Executive Director