

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 15-117

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

2015 Summer Season Cost of Gas

Order Approving Cost of Gas Rate

ORDER NO. 25,782

April 28, 2015

APPEARANCES: Sarah B. Knowlton, Esq., for Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities – Keene Division; and Michael J. Sheehan, Esq., and Rorie E. Patterson, Esq., for the Staff of the Public Utilities Commission.

In this order, the Commission approves the 2015 Summer Period Cost of Gas rates proposed by Liberty Utilities for its Keene Division, including a residential rate of \$0.9122 per therm. The new cost of gas rate is expected to cause a \$75 or 21 percent decrease in a typical residential customer's overall bill for the six-month summer period when compared to the summer of 2014.

I. PROCEDURAL HISTORY

Liberty Utilities (EnergyNorth Natural Gas) Corp., d/b/a Liberty Utilities – Keene Division (Liberty-Keene) is a public utility that distributes propane air gas in Keene. On April 1, 2015, Liberty-Keene filed its proposed cost of gas (COG) rates for the summer period, May 1 through October 31, 2015. *See* Exhibit 1. Liberty-Keene's filing consisted of the pre-filed testimony and supporting attachments of Francisco C. Dafonte and David B. Simek. The

Commission issued an order of notice that scheduled a hearing for April 21, 2015. The hearing was held as scheduled. There were no intervenors.

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 are primarily made up of commodity prices (the cost of the propane itself), the cost to transport the propane, and storage costs. The Company has no control over the price of propane, which is an unregulated commodity; over pipeline rates, which are regulated by the Federal Energy Regulatory Commission; or over trucking rates from propane supply points, which are market-based. The COG mechanism allows the Company to directly pass those costs to customers with no mark-up or profit. COG rates are initially set using projected costs and sales for the upcoming summer period. The Company may adjust COG rates monthly to take into account changes in the propane market, based on actual costs to date and projected costs for the remainder of the period.

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 going forward. A more detailed description of supply costs and how rates are set can be found on the Commission's website at <http://www.puc.nh.gov/Gas-Steam/gas-steam.htm>.

III. POSITIONS OF THE PARTIES AND STAFF

A. Liberty-Keene

Calculation and Impact of the COG Rate

Liberty-Keene proposed a 2015 summer season COG rate of \$0.9122 per therm, which would apply to residential as well as commercial and industrial customers. Ex. 1 at 4.

Liberty-Keene calculated this proposed rate by dividing its anticipated propane costs of \$339,808 by projected sales of 344,401 therms. Ex. 1 at 4. The anticipated propane costs were based on the per unit costs from the Mt. Belvieu, Texas, settlement prices for the propane futures market as of March 24, 2015, multiplied by anticipated demand, plus brokers' fees, Propane Education and Research Council charges, supplier charges, pipeline transportation costs, and trucking charges. *Id.* at 5.

Liberty-Keene's proposed rate represents a decrease of \$0.6280 per therm from the 2014 weighted average summer season COG rate of \$1.5402 per therm. Ex. 1 at 6. The impact of the proposed COG rate on the total summer bill of an average residential heating and hot water customer using 318 therms, which bill also includes customer charges, delivery charges, and other charges, is a decrease of \$75 or 21 percent compared to last summer. Ex. 1 at 7, 23.

Reasons for the Change in the COG Rate

According to Liberty-Keene, the decrease in the proposed COG rate compared to last summer is due to lower future market prices and lower trucking rates, slightly offset by a small pipeline increase, and a \$.0745 per therm decrease for a \$24,576 over-collection from last summer. Ex. 1 at 5.

Propane Purchasing Stabilization Plan

In *New Hampshire Gas Corp.*, Order No. 24,745 (Apr. 27, 2007), the Commission directed Liberty-Keene's predecessor to report the status of its hedging activities under its propane purchasing stabilization plan at each COG proceeding, and to provide an analysis of the results. Liberty-Keene reported that the estimated premium that it paid for the 2014-15 winter was 50% higher than the average spot prices for the first four months of the winter. Liberty-Keene states that this reflects the decline in propane prices over the winter due to declining oil and natural gas prices. Mr. Dafonte testified that the stabilization plan was nonetheless reasonable given the extreme price spikes that occurred over the winter of 2013-2014. Exhibit 1 at 8. Liberty-Keene recommended that the propane purchase stabilization plan continue. *Id.* at 7. Mr. Dafonte also testified that the rate stabilization plan supports the company's fixed price option, which Liberty-Keene intends to offer for the upcoming winter period.

For the 2015-2016 winter period, Liberty-Keene stated that it issued a request for proposals to seven potential suppliers seeking the same pre-purchase amount as last year, 725,000 gallons. This amount will achieve its target of hedging 65 percent of its expected sales volume. Ex. 1 at 9. Mr. Dafonte testified that Liberty-Keene signed a contract for its stabilization plan that provides for a price based on the Mt. Belvieu rate plus an agreed upon charge to bring the propane to Keene.

Rate Changes on a Bills-Rendered Basis

Liberty-Keene requested a waiver of N.H. Code Admin. Rules Puc 1203.05, which requires rate changes to be implemented on a service-rendered basis, so that Liberty-Keene can

charge the new rates on a bills-rendered basis, as Liberty-Keene's predecessor has done for years. According to Liberty-Keene, it would be less confusing to its customers who are used to being billed on a bills-rendered basis, and folding the Keene customers into Liberty's corporate billing system is premature and too expensive at this time to allow for service-rendered billing. April 10, 2015, Motion for Waiver of Puc 1203.05(b) at 1-2.

B. Staff

Staff did not object to Liberty-Keene's motion to waive Puc 1203.05. In its closing Staff supported the Company's proposed rates.

IV. COMMISSION ANALYSIS

Based on our review of the record in this docket, we approve the proposed 2015 summer season COG rate as a just and reasonable rate pursuant to RSA 378:7. The rate appears to have been calculated in a manner consistent with past practices, which offers assurances that it is proper. We note also that pursuant to *New Hampshire Gas Corp.*, Order No. 24,962 (April 30, 2009), the approved rate may be adjusted monthly without further Commission action in order to eliminate or reduce projected over or under recoveries in a timely and efficient manner. The rate may increase by no more than twenty-five percent of the approved rate. Thus, the monthly COG rate can be adjusted to reflect actual costs and revised cost projections throughout the period within that 25 percent cap.

Regarding the request for a waiver, Puc 1203.05 provides that rate changes must be implemented on a service-rendered basis. To obtain a waiver the Company is required to address, to the extent possible, such issues as potential customer confusion, implementation costs, the matching of revenue with expenses and the objective of adequate customer notice.

See Puc 1203.05(c). Liberty-Keene asserted, as its predecessor had in previous COG proceedings, that its customers would be less confused by being billed on a bills-rendered basis, and that its current billing system would have to be replaced at a substantial cost to allow for service-rendered billing. We find Liberty-Keene's contentions to be persuasive and, accordingly, we grant Liberty-Keene's request for a waiver of the requirement that the rate changes be implemented on a service-rendered basis pursuant to Puc 201.05.

Based upon the foregoing, it is hereby

ORDERED, that Liberty-Keene's proposed summer 2015 season COG rate of \$0.9122 per therm for the period of May 1, 2015, through October 31, 2015, is **APPROVED**, effective for bills rendered on or after May 1, 2015; and it is


FURTHER ORDERED, that Liberty-Keene may, without further Commission action, adjust the COG rate 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 rate; and it is

FURTHER ORDERED, that Liberty-Keene shall provide the Commission with its monthly calculation of the projected over- or under-collection, along with the resulting revised COG rate for the subsequent month, not less than five (5) business days prior to the first day of the subsequent month. Liberty-Keene shall include a revised tariff page 19 – Calculation of the Summer Cost of Gas Rate and revised tariff pages if Liberty-Keene elects to adjust the COG rate; 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 each month; and it is

FURTHER ORDERED, that Liberty-Keene 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-eighth day of April, 2015.

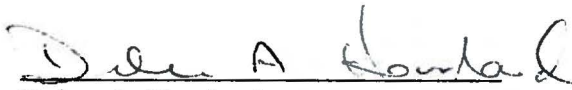


Martin P. Honigberg
Chairman



Robert R. Scott
Commissioner

Attested by:



Debra A. Howland
Executive Director