STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DG 16-307

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

2016 Summer Period Cost of Gas

Order Approving Cost of Gas Rate

O R D E R N O. 25,889

April 27, 2016

APPEARANCES: Michael J. Sheehan, Esq., for Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities – Keene Division; Donald M. Kreis, Esq., of the Office of the Consumer Advocate, on behalf of residential ratepayers; and Rorie E. Patterson, Esq., for the Staff of the Public Utilities Commission.

In this order, the Commission approves the 2016 Summer Period Cost of Gas rates proposed by Liberty Utilities for its Keene Division, including a residential rate of $0.4019 per therm. The new cost of gas rate is expected to cause a $32.67 or 15.6 % decrease in a typical residential customer's overall bill for the six-month summer period when compared to the summer of 2015.

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 March 14, 2016, Liberty-Keene filed its proposed cost of gas ("COG") rates for the summer period, May 1 through October 31, 2016. *See* Exhibit 1. Liberty-Keene's filing consisted of the pre-filed testimony and supporting attachments of Francisco C. Dafonte and David B. Simek. Liberty-Keene'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/Regulatory/Docketbk/2016/16-307.html.

The Commission issued an order of notice that scheduled a hearing for April 11, 2016. The Office of the Consumer Advocate filed a letter of participation on March 28, 2016. There were no intervenors. The hearing was held as scheduled at which Liberty-Keene's witnesses adopted their pre-filed testimony and provided additional live testimony.

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 35% of a residential heating customer's annual bill and consist primarily 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 pass those costs through to customers directly, 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, up to 25% on a cumulative basis over the summer period, 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 rate 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/howgasratesareset.htm

III. POSITIONS OF THE PARTIES AND STAFF

A. Liberty-Keene

Calculation and Impact of the COG Rate. Liberty-Keene proposed a 2016 summer COG rate of $0.4019 per therm, which would apply to residential as well as commercial and industrial customers. Ex. 1 at 5. Liberty-Keene calculated this proposed rate by dividing its anticipated propane costs of $131,299 by projected sales of 326,680 therms. Ex. 1 at 4-5. 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 11, 2016, 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 $0.5103 per therm from the initial rate of $0.9122 per therm approved by the Commission for the 2015 summer period. Ex. 1 at 5-6. The impact of the proposed COG rate on the total summer bill of an average residential heating and hot water customer using 79 therms, which also includes customer charges, delivery charges, and other charges, would be a decrease of $32.67 or 15.6 % compared to last summer. Ex. 1 at 7. The following table compares the expected bill impact based on last summer's average use of those customer classes.

Bill Impacts Based on Average Usage in Dollars over 6 month Summer Period					
Class	Charge	2015	2016	Change	% Change
Residential Heating	COG	64	32	(33)	-51%
	Delivery	145	145	0	0%
	Total	209	177	(32)	-15%

Reasons for the Decrease in the COG Rate. According to Liberty-Keene, the decrease in the proposed COG rate compared to last summer is due to lower futures market prices and lower trucking rates (slightly offset by a small pipeline increase), and a $0.4805 per therm credit to reconcile a $153,941 over-collection from last summer. Ex. 1 at 6.

Propane Purchasing Stabilization Plan. In *New Hampshire Gas Corp.,* Order No. 24,745 (April 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 cost of pre-purchased gallons was 91% higher than the average representative spot prices for the first four months of the current winter period. Liberty-Keene stated that the difference reflected the decline in propane spot prices brought about by an historically warm winter and a continued decline in oil and natural gas prices. Ex. 1 at 8.

Liberty-Keene stated that it had not yet issued an RFP for the winter of 2016-2017 Propane Stabilization Program, but intends to do so. The Company will purchase 725,000 gallons to maintain an approximate 65% targeted ratio of hedged volumes to expected sales. *Id.* at 8-9.

Rate Changes on a Bills-Rendered Basis. At the conclusion of the hearing, Liberty-Keene requested a waiver of N.H. Code of Admin. Rules Puc 1203.05(b), which requires the company to implement rate changes on a service-rendered basis. Instead, Liberty-Keene requested permission to change its COG rate on a bills-rendered basis, because of technical limitations of its billing system and its customer expectations.

B. OCA

The OCA stated at the hearing that it did not object to the proposed COG rate. The OCA also did not oppose Liberty-Keene's request to implement the rate change on a bills-rendered basis, but indicated an interest in resolving the circumstances causing the need for the waiver.

C. Staff

At the hearing Staff supported the Company's proposed rate for the 2016 summer period. Staff did not oppose Liberty-Keene's request to implement the rate change on a bills-rendered basis, but indicated in response to the OCA's closing, that the issues causing the need for the waiver are related to conditions of the Commission's approval of Liberty's acquisition of the Keene franchise and system.

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 374:2 and RSA 378:7 when setting COG rates. *Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities*, Order No. 25,658 (April 30, 2014).

Based on our review of the record in this docket, we approve the proposed 2016 summer season COG rate as a just and reasonable rate pursuant to RSA 374:2 and RSA 378:7. The rate appears to have been calculated in a manner consistent with past practice, which offers assurances that it is proper. The Company shall notify its customers of the rate changes in writing, in a form acceptable to the Commission's Consumer Services and External Affairs Division.

Pursuant to Puc 201.05 and Puc 1203.05(c), as requested by the Company, we waive the requirement of Puc 1203.05(b) and authorize the rate to be effective on a bills-rendered basis. Historically, the Commission has allowed Liberty-Keene to change its rates that way, because the company's billing system cannot accommodate service-rendered rate changes. We find that the waiver will not disrupt the orderly and efficient resolution of matters before us, and it serves the public interest because requiring Liberty-Keene to manually bill its customers on a service-rendered basis would be onerous.

We note 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 25% of the approved rate and may decrease so far as is needed.

Based upon the foregoing, it is hereby

ORDERED, that Liberty-Keene's proposed summer 2016 season COG rate of $0.4019 per therm for the period of May 1, 2016, through October 31, 2016, is APPROVED, effective for bills rendered on or after May 1, 2016, as follows:

Customer Class	**2016 Summer Cost of Gas**	**2016 Summer Maximum COG**
Residential	$0.4019	$ 0.5024
C&I	$0.4019	$0.5024

and it is

FURTHER ORDERED, that Liberty-Keene may, without further Commission action, adjust the COG rate 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 a maximum rate of 25% 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 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 its proposed notice to customers of the rate change with the Commission's Consumer Services and External Affairs Division; 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-seventh day of April, 2016.

Martin P. Honigberg (KNS)		
Martin P. Honigberg Chairman	Robert R. Scott Commissioner	Kathryn M. Bailey Commissioner

Attested by:

Lori A. Davis
Assistant Secretary