STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DG 17-047

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

2017 Summer Period Cost of Gas

Order Approving Cost of Gas Rate

O R D E R   N O. 26,012

April 28, 2017

APPEARANCES: Michael J. Sheehan, Esq., for Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities - Keene Division; and Paul B. Dexter, Esq., for the Staff of the Public Utilities Commission.

In this order, the Commission approves the 2017 Summer Period Cost of Gas rate proposed by Liberty Utilities for its Keene Division of $0.6281 per therm. The new cost of gas rate is expected to cause a $34.26 or 11.3 percent increase in a typical residential customer's overall bill for the six-month summer 2017 period when compared to the summer of 2016.

I. PROCEDURAL HISTORY

Liberty Utilities (EnergyNorth Natural Gas) Corp., d/b/a Liberty Utilities - Keene Division ("Liberty-Keene" or "the Company") is a public utility that distributes propane air gas in Keene. On March 21, 2017, Liberty-Keene filed its proposed cost of gas ("COG") rates for the summer period, May 1 through October 31, 2017. On April 13, 2017, Liberty-Keene submitted a revised filing, which the Company stated removed all propane production costs from the calculation of the proposed COG. Exhibit 1. Liberty-Keene's filing consisted of the pre-filed testimony and supporting attachments of Deborah Gilbertson and David B. Simek. This 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/2017/17-047.html.

The Commission issued an order of notice that scheduled a hearing for April 25, 2017. 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 made up approximately 38 percent of a typical Liberty-Keene residential heating customer's annual bill for the year ended October 31, 2016, and those costs consist primarily of commodity prices (the cost of the propane itself) and the cost to transport the propane. 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 or profit. COG rates are initially set using projected costs and sales for the upcoming summer or winter period. The Company may adjust COG rates monthly, based on actual costs to date and projected costs for the remainder of the period, to take into account changes in the propane market. Under the adjustment provision, rates may go up no more than 25 percent on a cumulative basis over the summer period if costs are higher, and may go down as far as is necessary if costs are lower.

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-team/howgasratesareset.htm.

III. POSITIONS OF THE PARTIES AND STAFF

A. Liberty-Keene

Calculation and Impact of the COG Rate. Liberty-Keene proposed a 2017 summer COG rate of $0.6281 per therm that would apply to all its customers. Liberty-Keene calculated this proposed rate by dividing its anticipated adjusted propane costs of $208,844 by projected sales of 332,494 therms. Exhibit 1 at 12. The anticipated propane costs of $311,963 were based on the per unit costs from the Mt. Belvieu, Texas, settlement prices for the propane futures market as of March 9, 2017, plus brokers' fees, Propane Education and Research Council charges, supplier charges, pipeline transportation costs, and trucking charges. *Id.* at 5-6. Also included in the calculation was a reduction to refund to customers an over-collection of $103,119 from the 2016 summer period to accomplish the reconciliation described above. *Id.* at 12.

Liberty-Keene's proposed rate represents an increase of $0.2262 per therm from the initial rate of $0.4019 per therm approved by the Commission for the 2016 summer period. Exhibit 1 at 6. The impact of the proposed COG rate on the total summer bill (May through October) of a typical residential heating customer using 159 therms, which also includes customer charges, delivery charges, and other charges, would be an increase of $34.26 or

11.3 percent compared to last summer. *Id.* at 23. The following table compares the expected bill impacts.

Typical Bill Impacts in Dollars over 6 month Summer Period					
Class	Charge	2016	2017	Change	% Change
Residential Heating	COG	$66	$100	$34	52%
	Delivery	$237	$237	$0	0%
	Total	$303	$337	$34	11%

Reasons for the Increase in the COG Rate. According to Liberty-Keene, the increase in the proposed COG rate compared to last summer is due to higher propane futures market quotations and a smaller prior period over-collection, $103,119, to reconcile against the COG as compared to an over-collection of $156,982 from last summer. Exhibit 1 at 6, 12.

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 the pre-purchased gallons was 17.8 percent lower than the average representative spot prices for the first four months of the current winter period. Exhibit 1 at 8-9.

Liberty-Keene stated that it issued an RFP for the winter of 2017-2018 Propane Stabilization Program and had selected a supplier. The Company purchased 575,000 gallons to maintain an approximate 65 percent target ratio of hedged volumes to expected sales. *Id.* at 9.

Rate Changes on a Bills-Rendered Basis. At the hearing, Liberty-Keene requested that the proposed change to its COG rate be effective on May 1, 2017, on a bills-rendered basis.

PUC Audit Results. At the hearing, Liberty testified that the Commission Audit Staff had recently issued a draft audit report concerning the 2016 Summer COG, which identified two issues. Liberty stated that it had not finished its review of the draft report, but noted that incorporating the two issues would reduce the proposed COG rate by about 9 cents per therm. Liberty stated that any changes from this audit would be reflected in upcoming monthly COG adjustments consistent with past practices.

B. Staff

At the hearing, Staff supported the Company's proposed rate for the 2017 summer period. Staff questioned whether the rate change was proposed to be applied on a bills-rendered or service-rendered basis. The Company's witnesses responded that it proposed the rate change to be effective with bills rendered on and after May 1, 2017, to continue the billing method to which Liberty-Keene's customers are accustomed. Staff questioned why the Company's prior period over-collection of $99,751 and related interest of $3,338 were both depicted as negative under-collections in the proposed tariff revision. Exhibit 1 at 12. Liberty-Keene stated that while this had no impact on the final calculations, it would review this presentation and make any corrections needed in a compliance filing if the rates were approved. Staff questioned why the unaccounted for gas rate included in the calculation of firm sendout was 3.70 percent which was more than double the rate from the 2016 summer COG filing. Liberty-Keene did not give any specific reason for this increase but testified that an unaccounted for rate less than 5 percent was within industry norms.

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, 64-65 (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 2017 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), we waive the requirement of Puc 1203.05(b) and authorize the rate to be effective on a bills-rendered basis, consistent with past decisions for Liberty-Keene. *Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities*, Order No. 25,889 at 6 (April 27, 2016).

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 percent 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 2017 season COG rate of $0.6281 per therm for the period of May 1, 2017, through October 31, 2017, is APPROVED, effective for bills rendered on or after May 1, 2017, as follows:

Customer Class	2017 Summer Cost of Gas	2017 Summer Maximum COG
Residential	$0.6281	$ 0.7851
C&I	$0.6281	$0.7851

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 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 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, 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 this 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, 2017.

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

Attested by:

Debra A. Howland
Executive Director