STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DG 18-052

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

2018 Summer Period Cost of Gas

Order Approving Cost of Gas Rate

O R D E R N O. 26,126

May 1, 2018

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 2018 summer cost of gas rate proposed by Liberty Utilities for its Keene Division of $0.9995 per therm. The new cost of gas rate is expected to cause a $49.42 or 14.3 percent increase in a typical residential customer's overall monthly bill for the six-month summer 2018 period when compared to the summer of 2017.

I. PROCEDURAL HISTORY

Liberty Utilities (EnergyNorth Natural Gas) Corp., d/b/a Liberty Utilities ("Liberty") currently operates two gas divisions in New Hampshire, including its EnergyNorth Division and Keene Division. The Keene Division ("Liberty-Keene" or the "Company") distributes propane air gas and serves approximately 1,200 customers. On March 30, 2018, Liberty-Keene filed its proposed cost of gas ("COG") rates for the summer period, May 1 through October 31, 2018. Hearing Exhibit ("Exh.") 1. Liberty-Keene's filing consisted of the pre-filed testimony and supporting attachments of Deborah Gilbertson and Catherine A. McNamara. This filing and subsequent docket entries, other than any information for which confidential treatment is requested of or granted by the Commission, are available on the Commission's website at http://www.puc.nh.gov/Regulatory/Docketbk/2018/18-052.html.

The Commission issued an order of notice that scheduled a hearing for April 25, 2018. The hearing was held as scheduled and there were no intervenors. At the hearing, the Company'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 51 percent of a typical Liberty-Keene residential heating customer's annual bill for the year ended October 31, 2017, and those costs consisted 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

A. Liberty-Keene

Calculation and Impact of the COG Rate. Liberty-Keene proposed a 2018 summer COG rate of $0.9995 per therm that would apply to all its customers. Liberty-Keene calculated the rate by dividing its anticipated adjusted propane costs of $324,333 by projected sales of 324,490 therms. Exh. 1 at 14.[1] 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 14, 2018, 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 $90,836 from the 2017 summer period to accomplish the reconciliation described above. *Id.* at 14.

Liberty-Keene's proposed rate represents an increase of $0.3714 per therm from the initial rate of $0.6281 per therm approved by the Commission for the 2017 summer period. Exh. 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 $49.42 or 14.3 percent compared to last summer. *Id.* at 25. The following table compares the expected bill impacts.

[1] At the April 25, 2018 hearing, Liberty-Keene testified that, despite being labeled "Total Anticipated Cost of Propane Sendout," the figure on page 14 included about 79 percent propane and 21 percent compressed Natural Gas.

Typical Bill Impacts in Dollars over 6 month Summer Period					
Class	**Charge**	**2017**	**2018**	**Change**	**% Change**
Residential Heating	**COG**	$109	$159	$50	46%
	Delivery[2]	$237	$237	$0	0%
	Total	$346	$396	$50	14%

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, somewhat offset by a prior period over-collection. Exh. 1 at 6, 14.

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 26.5 percent lower than the average representative spot prices for the first four months of the current winter period. Exh. 1 at 8-9. Liberty-Keene stated that it issued an RFP for the winter of 2018-2019 Propane Stabilization Program, and plans to purchase 575,000 gallons to maintain an approximate 63 percent target ratio of hedged volumes to expected sales. *Id.* at 9.

Rate Changes on a Bills-Rendered Basis. On April 25, 2018, Liberty-Keene filed a Motion for Waiver of PUC 1203.05(b) requesting the option to implement the proposed change to its COG rate effective on May 1, 2017, on a bills-rendered basis, rather than a service rendered basis. Liberty stated that it had recently converted the Liberty-Keene billing system to Liberty's central billing system, and had tested the system, but it requested the waiver in case there were technical problems.

Compressed Natural Gas. Liberty stated that plans to use Compressed Natural Gas ("CNG") to serve a portion of the Keene system starting in late June or early July, and the costs presented in this

[2] The bill comparison provided herein does not reflect the Commission's recent delivery rate reduction ordered for Liberty-Keene customers in Order No. 26,122 (April 27, 2018).

case included CNG costs. Liberty stated that the cost of the CNG was lower than the spot price of propane. Exh. 1 at 10.

B. Staff

Staff stated that it supported approval for the proposed rates, but requested a clarification of the way certain information is presented in future filings when fuels other than propane (such as CNG in this case) are included.

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 2018 summer season COG rate as just and reasonable under RSA 374:2 and RSA 378:7. The rate appears to have been calculated in a manner consistent with past practice, which offers proper assurances. 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, if needed, 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.

We agree with Staff that as Liberty introduces fuels other than propane in Keene, the COG filings should clearly detail those fuels. We also note that the Company questioned the usefulness of Schedule C (Exh. 1 at 180) in summer period COG filings when Liberty received a delivered price for propane. We direct the Company and Staff to consider whether continuing to prepare Schedule C in summer COG filings is appropriate.

Based upon the foregoing, it is hereby

ORDERED, that Liberty-Keene's proposed summer 2018 season COG rate of $0.9995 per therm for the period of May 1, 2018, through October 31, 2018, is APPROVED, effective for service rendered (or bills rendered if billing system constraints so require) on or after May 1, 2018, as follows:

Customer Class	2018 Summer Cost of Gas	2018 Summer Maximum COG
Residential	$0.9995	$1.2494
C&I	$0.9995	$1.2494

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. Rule Puc 1603.

By order of the Public Utilities Commission of New Hampshire this first day of May 2018.

Martin P. Honigberg Chairman	Kathryn M. Bailey Commissioner	Michael S. Giaimo Commissioner

Attested by:

Margaret L. Raymond
Assistant Secretary