STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DG 19-068

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

2019 Summer Period Cost of Gas Adjustment

Order Approving Cost of Gas Rate

O R D E R N O. 26,241

April 29, 2019

APPEARANCES: Michael J. Sheehan, Esq., on behalf of Liberty Utilities (EnergyNorth Natural Gas) Corp., d/b/a Liberty Utilities-Keene Division; and F. Anne Ross, Esq., and Mary Schwarzer, Esq., on behalf of Commission Staff.

In this order, the Commission approves the 2019 summer cost of gas rate proposed by Liberty Utilities for its Keene Division. The new cost of gas rate is $1.1071 per therm and it is expected to increase a typical residential customer's overall bill for the six-month summer 2019 period (May through October) by $10.81 or 2.9 percent when compared to the same period in 2018.

I. PROCEDURAL HISTORY

Liberty Utilities (EnergyNorth Natural Gas) Corp., d/b/a Liberty Utilities (Liberty) currently operates two gas divisions in New Hampshire, its EnergyNorth Division and its Keene Division. The Keene Division (Liberty-Keene or the Company) distributes propane air gas and serves approximately 1,200 customers. On March 29, 2019, Liberty-Keene filed its proposed cost of gas (COG) rates for the summer period: May 1 through October 31, 2019. Hearing Exhibit (Exh.) 1. Liberty-Keene's filing consisted of the pre-filed testimony and supporting attachments of Deborah Gilbertson and Catherine McNamara. This filing and subsequent docket entries, other than any information for which confidential treatment is requested of or granted by the Commission, are posted at http://www.puc.nh.gov/Regulatory/Docketbk/2019/19-068.html.

The Commission issued an order of notice that scheduled a hearing for April 23, 2019. The hearing was held as scheduled and there were no interveners. At the hearing, the Company's witnesses adopted their pre-filed testimony, as updated to adjust for the Final Staff Audit findings, and additional Company adjustments, and provided additional live testimony. As discussed at the hearing, all components of the original filing were updated and refiled on April 26, 2019. *See* Exh. 6 and Exh. 7.[1]

II. COST OF GAS ADJUSTMENT MECHANISM

The cost of gas mechanism was implemented in 1974 during an era of rapidly-changing prices to provide a way to immediately pass on to customers any market price increases and decreases in supply costs, without having to go through an extended proceeding to change delivery rates. Supply costs made up approximately 56 percent of a typical Liberty-Keene residential heating customer's annual bill for the year ended October 31, 2018, 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 market 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. In this year's proposed cost of gas filing, Liberty-Keene included compressed natural gas (CNG) for use

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[1] Updated tariff pages and schedules were made available at the hearing and were marked for identification as Exhibit 5; however, that exhibit was not admitted into evidence.

in a portion of the Keene system.[2] Similar to propane, the Company has no control over the market price of CNG, which is an unregulated commodity.

The COG mechanism allows the Company to pass market costs through to customers directly, but prohibits any mark-up or profit. COG rates are initially set by the Company using projected commodity 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 and CNG markets. Under the adjustment provision, rates may go up no more than 25 percent on a cumulative basis over the summer period, however, costs may go down as far as necessary to account for declining market costs.

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.[3]

In COG proceedings, the Commission also sets the Local Distribution Adjustment Charge (LDAC) rates that allow for recovery of expenses the Commission has approved in prior dockets through a per-therm surcharge to be determined and implemented in the COG proceedings. Liberty-Keene's distribution rates were consolidated with EnergyNorth Natural Gas in Docket No. DG 17-048 by Order No. 26,122 (April 27, 2018), which added the LDAC to

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[2] *See* Docket No. DG 17-068, *Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities-Keene Division,* Staff Recommendation filed April 16, 2019, (recommending a finding that the Company's safety plan complies with Commission Order No. 26,065 with regard to the Phase I conversion to CNG.) The Commission review of this Staff recommendation is pending.

[3] A detailed description of supply costs and how rates are set is available on the Commission's website at http://www.puc.nh.gov/Gas-Steam/howgasratesareset.htm.

Liberty-Keene's rates. Liberty's LDAC rate was established in EnergyNorth's Cost of Gas proceeding, Docket No. DG 18-137. Order No. 26,188 (November 1, 2018).

III. POSITIONS OF THE PARTIES AND STAFF

A. Liberty-Keene

Liberty-Keene proposed a 2019 summer COG rate of $1.1071 per therm, that would apply to all customers. The following table displays the expected bill impacts relative to the average summer seasonal use for a residential heating customer:

Typical Bill Impacts in Dollars over 6 month Summer Period[4]					
Class	**Charge**	**2018**	**2019**	**Change**	**% Change**
Residential Heating	**COG**	$174	$190	$16	9%
	Delivery	$185	$185	$0	0%
	LDAC	$16	$11	($5)	-31%
	Total	$376	$387	$11	3%

At hearing, Liberty opposed Staff's proposal that the Company not be allowed to recover CNG costs in excess of the spot price of propane. Liberty took the position that those incremental costs could be addressed in a future proceeding.

B. Staff

Staff stated that it supported approval of the proposed rates based on projected costs, but reserved its right to seek disallowance of CNG costs in the future. Staff further proposed that a technical session be held by mid-June to permit Staff and the Company to determine and define Keene production costs to be recovered through COG rates.

According to Staff, the summer COG filing indicates CNG commodity and demand costs are higher than the cost of the alternative (propane) supply costs available to Keene customers. At this time, in Staff's view, CNG is not economical to dispatch. If Liberty goes forward with its

[4] Numbers in this table are rounded. For exact figures see Table I-2 in Exhibits 6 and 7.

plans to use CNG this summer, and total 2019 CNG costs exceed what the cost of alternative supplies would have been, the incremental costs should not be recovered from ratepayers.

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. 26,188 at 7 (November 1, 2018).

Based on our review of the record, we approve the proposed 2019 summer COG rate, based on market commodity rates, 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.

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. *Id.* at 5-10. The rate may increase by no more than 25 percent of the approved rate and may decrease so far as is needed. *Id*. at 6-10.

We decline to address Staff's concerns with regard to CNG costs that may exceed the cost of alternative fuels at this time. Staff is free to raise the issue in future dockets, including in the Company's next rate case.

We reiterate our prior conclusion that, as Liberty introduces fuels other than propane in Keene, the Company's COG filings should clearly detail those fuels. We direct that in future Liberty-Keene filings, both fuel-type and costs for each fuel, shall be specified in summaries as well as in discrete schedules.

Based upon the foregoing, it is hereby

ORDERED, that Liberty-Keene's proposed summer 2019 COG rate of $1.1071 per therm for the period of May 1, 2019 through October 31, 2019 is APPROVED, effective for service rendered on or after May 1, 2019, for residential, and commercial and industrial, customer classes; and it is

FURTHER ORDERED, that a maximum summer 2019 COG rate of $1.3839 per therm for the period of May 1, 2019 through October 31, 2019 is APPROVED; 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 as of the first of the month and not to exceed the maximum rate specified above, 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, and it shall include a revised tariff page 90, Calculation of the Summer Cost of Gas Rate, if it 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, as required by N.H. Code Admin. Rules Puc 1603, no later than 15 days from the issuance of this order; and it is

FURTHER ORDERED, that Liberty shall file its proposed notice of rate change to customers with the Director of the Consumer Services and External Affairs Division, prior to delivery to its customers; and it is

FURTHER ORDERED, that Liberty and Staff shall hold a technical session that will be noticed through a secretarial letter, no later than seven weeks from the issuance of this order, to permit Staff and the Company to review Liberty-Keene's detailed definition and description of Keene production costs, including those categorized as "COG costs."

By order of the Public Utilities Commission of New Hampshire this twenty-ninth day of April, 2019.

Kathryn M. Bailey
Commissioner

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Commissioner

Attested by:

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