

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 19-145

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

Winter 2019-2020 and Summer 2020 Cost of Gas

Order Approving Cost of Gas Rates and Other Charges

O R D E R N O. 26,306

October 31, 2019

APPEARANCES: Michael J. Sheehan, Esq., for Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities; the Office of the Consumer Advocate by Christa Shute, Esq., on behalf of residential ratepayers; and Mary Schwarzer, Esq., for the Staff of the Public Utilities Commission.

This order approves EnergyNorth's proposed winter 2019-2020 and summer 2020 cost of gas rates. For residential customers, the initial rate for the winter period (November 1, 2019, through April 30, 2020) will be \$0.6203 per therm, and the fixed-price option will be \$0.6403 per therm. The local delivery adjustment charge rate will be \$0.0310 per therm from November 1, 2019, through October 31, 2020. The initial cost of gas rate for residential customers during the summer period (May 1, 2020 through October 31, 2020) will be \$0.4520 per therm. A typical residential customer will see an average monthly bill of approximately \$149 in winter 2019-2020 compared to \$157 for winter 2018-2019, and an average monthly bill of approximately \$40 in summer 2020 compared to \$42 for summer 2019.

I. PROCEDURAL HISTORY

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities (Liberty-EnergyNorth¹ or the Company) is a public utility that distributes natural gas to approximately

¹ Liberty Utilities is comprised of multiple divisions with a single COG for all divisions other than the Keene Division. That cost of gas is referred to as the EnergyNorth COG. The LDAC rates and distribution rates are

90,000 customers in southern and central New Hampshire and in the City of Berlin. On September 3, 2019, Liberty-EnergyNorth submitted a tariff filing for the winter 2019-2020 and summer 2020 periods that proposes adjustments to cost of gas (COG) rates. The filing, which includes direct testimony and supporting schedules, proposes changes to COG rates for firm sales customers, fixed winter COG rates under the fixed-price option (FPO), firm transportation COG rates, and local delivery adjustment charge (LDAC) rates. It also includes a revenue decoupling adjustment factor (RDAF) as part of the LDAC rate for the first time as decoupling was implemented in 2018. *See Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities*, Order 26,122 at 43-46, 53-55 (April 27, 2018) (approving decoupling) and Order No. 26,187 at 11 (November 2, 2018) (approving illustrative decoupling tariff).

The Commission issued an Order of Notice on September 6, 2019, and the Office of the Consumer Advocate (OCA) notified the Commission of its participation on behalf of residential ratepayers pursuant to RSA 363:28 on September 10. Commission Staff (Staff) conducted discovery and held a technical session with Liberty-EnergyNorth and the OCA on September 23 and conducted a follow-up technical session on September 27. Staff filed testimony on October 8.

The Company made a number of revised filings. On October 7, 2019, the Company filed revised testimony and attachments; these revisions reduced the Company's proposed revenue decoupling adjustment factor (RDAF) and therefore reduced the Company's proposed local delivery adjustment charge (LDAC) for the 2019-2020 period. On October 8, the Company refiled its revised testimony to correct a pagination error in the October 7 filing. At the hearing, Liberty filed a revised version of the October 8 filing to highlight changes made in that filing for ease of identification. Exh. 9. The highlighted changes included, but were not limited to,

applicable to all Liberty customers. *See* Order 26,122 at 37-41. This order refers to the Company as "Liberty-EnergyNorth" to distinguish among divisions for purposes of COG rate-setting.

revisions to the Company's Schedule 8.² The Commission held a hearing on October 11. On October 16, the Company filed its response to a Commissioner record request. Exh. 10. There were no intervenors in the docket.

Liberty-EnergyNorth'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://puc.nh.gov/Regulatory/Docketbk/2019/19-145.html>.

II. COST OF GAS ADJUSTMENT MECHANISM

The COG adjustment mechanism was implemented in 1974 during a time of rapidly changing prices as a way to pass on to consumers increases and decreases in energy supply costs quickly, without having to go through extended proceedings to change delivery rates. Supply costs make up approximately half of a residential heating customer's annual bill and include commodity prices (the cost of gas), the cost to transport the gas over the pipelines, and storage costs. Liberty-EnergyNorth has little control over the price of natural gas, which is an unregulated commodity. Similarly, the Company has little price control over pipeline transportation rates, which are set by the Federal Energy Regulatory Commission. The COG adjustment mechanism allows the Company to pass fuel supply costs on to its customers directly and efficiently without mark-up or profit. COG rates are initially set using projected costs and sales for the upcoming winter and summer periods. Through the COG adjustment mechanism, the Company may adjust its COG rates monthly to take into account changes in the natural gas market based on actual costs to date and projected costs for the remainder of the period. To the

² Post-hearing, on October 16, 2019, the Company filed a *Second Revised Schedule 8* to correct portions of that schedule. At the hearing, the Company represented the changes would not impact its proposed rates or charges. The filing seems to replace some estimated Summer 2019 rates with actual rates. Those changes would alter the bill impact tables and have not been used in this Order, although actual costs remain subject to reconciliation in the future. The *Second Revised Schedule 8* is not an Exhibit.

extent that adjustments are based on projected costs, they are subject to reconciliation periodically, after actual costs are known.

In this COG docket, the Commission also sets the 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 proceeding. The LDAC is a component of the Company's proposed COG rates in both the Liberty-EnergyNorth and the Liberty-Keene Division dockets. Order 26,122 at 37-41. LDAC expenses include costs associated with an environmental surcharge for manufactured gas plant remediation, Liberty Utilities' energy efficiency and low-income programs, and the recovery of an under collection of the energy efficiency resource standard lost revenue adjustment mechanism (LRAM).³ Effective November 1, 2018, the revenue decoupling adjustment factor (RDAF) is also included in the LDAC. *Id.* at 43-46, 53-55. The RDAF is designed to implement decoupling. *Id.* at 43.

III. POSITIONS OF THE PARTIES AND STAFF

A. Liberty-EnergyNorth

In its initial filing of September 3, Liberty-EnergyNorth proposed several rates for approval, including winter and summer COG rates for various rate classes, annual LDAC rates for various rate classes, a fixed price option COG rate for residential customers, and a firm transportation COG rate. Exh. 1 at 46-48, 51.

In the Company's revised filings, Liberty-EnergyNorth made several changes primarily affecting the LDAC, and a proposed amendment to the tariff. The amendment clarified that

³ The LRAM was included in the LDAC in accordance with *Energy Efficiency Resource Standard*, Order No. 25,932 (August 2, 2016), which approved the implementation of a mechanism to recover lost revenue due to the installation of energy efficiency measures. Decoupling has replaced the LRAM. Order 26,122 at 45, *see also* Order No. 25,932 at 60.

distribution revenues would be adjusted to include weather normalized revenue to determine the calculated actual monthly base revenue per customer. Exhs. 4, 5, and 9.

Liberty EnergyNorth's proposed winter COG per therm rates for the various rate classes are \$0.6203 for residential; \$0.6190 for commercial and industrial (C&I) high winter use; and \$0.6258 for C&I low winter use. The Company's proposed summer COG per therm rates are \$0.4520 for residential, \$0.4474 for C&I high winter use, and \$0.4591 for C&I low winter use. Exhs. 1 and 2. In its revised filings, the Company proposed an LDAC rate of \$0.0310 per therm for residential customers from November 1, 2019, through October 31, 2020, and \$0.0478 per therm for C&I customers for the same period. Exh. 9.

The following tables include the expected total bill impact based on the prior winter's and summer's average use for each customer class.

Winter 2019/2020 Projected Bill Impacts (Exhibit 9)

Class	2018-2019 (Actual)	2019-2020 (Projected)	Percent Change
R-3 Residential Heating	\$ 943	\$ 896	-5%
G-42 C&I High Winter Use	\$ 17,186	\$ 16,157	-6%
G-52 C&I Low Winter Use	\$ 11,719	\$ 10,911	-7%

Summer 2020 Projected Bill Impacts, (Exhibit 9)

Class	2019 (Actual)	2020 (Projected)	Percent Change
R-3 Residential Heating	\$ 253	\$ 239	-6%
G-42 C&I High Winter Use	\$ 3,748	\$ 3,568	-5%
G-52 C&I Low Winter Use	\$ 6,040	\$ 5,469	-9%

A typical residential heating customer will see an average monthly bill of approximately \$149 per month in winter 2019-2020 compared to \$157 for winter 2018-2019, and an average monthly bill of \$40 in summer 2020 compared to \$42 for summer 2020.

The Company also proposed: (1) a supplier balancing charge of \$0.21 per MMBtu of daily imbalances; (2) a transportation peaking service demand charge of \$18.12 per MMBtu of peak maximum daily quantity per month; (3) a gas allowance factor of 1.9 percent; (4) transportation capacity allocators; (5) short-term debt limits of \$16,338,781 for fuel financing, and \$99,644,640 for non-fuel financing for the November 1, 2019, through October 31, 2020, period.

B. Staff

Staff identified inaccuracies in Liberty-EnergyNorth's initial filing that resulted in savings of approximately \$2.5 million dollars for ratepayers. Exh. 5. Savings resulted from accurately accounting for R-3 and R-4 revenue for the RDAF, identifying the correct Benchmark Base Revenue per bill for the period November 2018 to June 2019, and adding the monthly normal weatherization adjustment in RDAF calculations. *Id.* In its revised schedules, the Company has calculated the normal weather factor using normalized Dth sales to determine the appropriate revenue for RDAF purposes. Staff believes this calculation effectively incorporates the normal weatherization adjustment. *Id.*

At hearing, Staff expressed support for approval of the 2019-2020 COG and LDAC rates as filed on September 3, 2019, and revised by the Company in its October 8, 2019, filing.

C. OCA

The OCA stated that the proposed rate changes reflected in the Company's September 3 filing, as revised on October 8, 2019, are just and reasonable, and recommended that those changes be approved. The OCA stated its appreciation for Staff's identification of inaccuracies that, when corrected, resulted in savings for ratepayers.

IV. COMMISSION ANALYSIS

The Commission has broad statutory authority to set rates in addition to "powers inherent within its broad grant" of express authority. *See 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.

This is the first COG proceeding in which decoupling has been incorporated into ratemaking. Decoupling was first implemented in 2018 and was designed to sever the link between sales and revenues to remove the Company’s disincentive to promote energy conservation that is inherent in traditional ratemaking. This is accomplished through the revenue decoupling adjustment factor (RDAF), which, as stated above, is part of the LDAC.

We find that the tariff needs to state clearly that when calculating the revenue decoupling adjustment factor and the normal weatherization adjustment, actual base revenue means weather normalized base revenue. Accordingly, we approve the tariff language proposed in Exhibit 4. We accept Staff and Liberty’s calculation of the impact of this tariff change in the filing, as revised by the Company on October 8. Exhs. 3, 5, 9.

We approve the proposed winter 2019-2020 and summer 2020 COG rates presented in the initial filing, as revised in the October 8 filing, as just and reasonable. We also approve the Company’s LDAC rates, including but not limited to the RDAF, as presented in the initial filing and revised in the October 8 filing, as just and reasonable. Because actual costs and revenues are reconciled every year, any adjustments needed as a result of further inquiry into the matters addressed in this order, including final audits, can be made in Liberty-EnergyNorth’s COG filing for 2020-2021.

Pursuant to *EnergyNorth Natural Gas, Inc. d/b/a National Grid NH*, Order No. 24,963 (April 30, 2009), the approved non-FPO rates may be adjusted downward so far as needed and upward by no more than 25 percent, without further Commission action. *See also Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities*, Order No. 25,958 (October 26, 2016). By approving the rates in the initial filing, as corrected in the October 8

filing, the 25 percent upward limit has an appropriate starting point at the beginning of the 2019-2020 winter period.

Based upon the foregoing, it is hereby

ORDERED, that Liberty-EnergyNorth’s 2019-2020 winter period COG per therm rates effective for service rendered on or after November 1, 2019, and Liberty-EnergyNorth’s 2020 summer period COG per therm rates effective May 1, 2020, are approved as set forth in this order, as follows:

Customer Class	2019/2020 Winter COG	2019/2020 Winter Maximum COG	2019/2020 Winter FPO	2020 Summer COG	2020 Summer Maximum COG
Residential	\$0.6203	\$0.7754	\$0.6403	\$0.4520	\$0.5650
C&I High Winter Use	\$0.6190	\$0.7737	N/A	\$0.4474	\$0.5593
C&I Low Winter Use	\$0.6258	\$0.7823	N/A	\$0.4591	\$0.5739

and it is

FURTHER ORDERED, that Liberty-EnergyNorth may, without further Commission action, adjust the COG rates based on the projected over- or under-collection for the period, the adjusted rate to be effective the first day of the month and not to exceed, cumulatively, a maximum rate of 25 percent above the approved rate with no limitation on reductions to the COG rates; and it is

FURTHER ORDERED, that Liberty-EnergyNorth shall provide the Commission with its monthly calculation of the projected over- or under-collection, along with the resulting revised COG rates for the subsequent month, not less than five business days prior to the first day of the subsequent month. Liberty-EnergyNorth shall include revised Calculation of the Firm Sales Cost of Gas Rate tariff pages and revised rate schedules under separate cover letter if Liberty-EnergyNorth elects to adjust COG rates, with revised tariff pages to be filed as required by N.H. Code Admin. Rules Puc 1603; 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 monthly; and it is

FURTHER ORDERED, that Liberty-EnergyNorth's proposed LDAC per therm rates for the period November 1, 2019, through October 31, 2020, effective for service rendered on or after November 1, 2019, are \$0.0310 and \$0.0478 for residential and C&I customers, respectively; and it is

FURTHER ORDERED, that Liberty-EnergyNorth's proposed firm transportation winter COG rate of \$0.0009 per therm for the period November 1, 2019, through April 30, 2020, is approved; and it is

FURTHER ORDERED, that Liberty-EnergyNorth's proposed supplier balancing charge of \$0.21 per MMBtu of daily imbalance volumes is approved; and it is

FURTHER ORDERED, that Liberty-EnergyNorth's proposed transportation peaking service demand charge of \$18.12 per MMBtu of peak maximum daily quantity per month is approved; and it is

FURTHER ORDERED, that Liberty-EnergyNorth's company gas allowance factor of 1.9 percent is approved; and it is

FURTHER ORDERED, that Liberty-EnergyNorth's proposed transportation capacity allocators as filed in the *Proposed Second Revised Page 148, Superseding First Revised Page 148*, are approved, *see* Exh. 1 at 56; and it is

FURTHER ORDERED, that Liberty-EnergyNorth's proposed short-term debt limits of \$16,338,781 for fuel financing and \$99,644,640 for non-fuel financing for the period November 1, 2019, through October 31, 2020, are approved; and it is

FURTHER ORDERED, that Liberty-EnergyNorth shall promptly file properly annotated tariff pages, including a tariff page identical to the proposed amended tariff page filed as Exhibit 4, in compliance with this order no later than 15 days from the issuance date of this order, as required by N.H. Code Admin. Rules Puc 1603; and it is


FURTHER ORDERED, that Liberty-EnergyNorth 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.

By order of the Public Utilities Commission of New Hampshire this thirty-first day of October, 2019.


Kathryn M. Bailey
Commissioner


Michael S. Giaimo
Commissioner

Attested by:


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