

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 20-041

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

Summer 2020 Cost of Gas

Order Approving Cost of Gas Rate

ORDER NO. 26,351

April 30, 2020

APPEARANCES: Michael J. Sheehan, Esq., on behalf of Liberty Utilities (EnergyNorth Natural Gas) Corp., d/b/a Liberty Utilities-Keene Division; Office of the Consumer Advocate by D. Maurice Kreis, Esq., on behalf of residential ratepayers; and Mary E. Schwarzer, Esq., on behalf of Commission Staff.

In this order, the Commission approves the 2020 summer cost of gas rate proposed by Liberty Utilities for its Keene Division. The initial cost of gas rate for the period will be \$.6326 per therm. The impact of the cost of gas rate change is an overall decrease of approximately \$23 or 30 percent in the typical residential customer's summer costs compared to last year's summer cost. The primary reasons for the rate decrease are lower gas costs, and an over-collection last summer which will be used to offset this summer's projected supply costs.

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 distributing propane-air gas and compressed natural gas (CNG) in Keene, New Hampshire.¹ It serves approximately 1,200

¹ Liberty Utilities is comprised of multiple divisions, with a single COG for all divisions other than the Keene Division. The cost of gas for those divisions is referred to as the EnergyNorth COG. The local distribution adjustment charge (LDAC) rates and distribution rates are applicable to all Liberty customers. LDAC rates effective November 1 are determined in EnergyNorth's annual COG proceeding. Most recently, the LDAC was determined in Order 26,305 (October 31, 2020).

customers. On March 31, 2020, Liberty-Keene filed its proposed cost of gas (COG) rates for the summer period that runs May 1 through October 31, 2020. Liberty-Keene's filing consisted of the pre-filed testimony and supporting attachments of Deborah Gilbertson and Catherine McNamara. On April 6, 2020, the Office of the Consumer Advocate (OCA) notified the Commission of its participation on behalf of residential ratepayers pursuant to RSA 363:28.

The Commission issued an order of notice on April 8, 2020, scheduling a hearing for April 24. On April 16, the Commission issued guidelines for the remote conduct of the hearing. On April 21, the Company revised its filing, and on April 22, the parties filed joint witness and exhibit lists, as well as exhibits.

The hearing was held as scheduled. At the hearing, the Company's witnesses adopted their pre-filed testimony, as updated by the Company's April 21 filing and additional Company adjustments. As discussed and contemplated at the hearing, Liberty subsequently modified and refiled Exhibits 1 and 2 to avoid the unintended constructive identification of confidential data and to make other corrections.

The 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/2020/20-041.html>.

II. COST OF GAS ADJUSTMENT MECHANISM

The cost of gas (COG) adjustment mechanism was implemented in 1974 during a time of rapidly changing prices as a way to reflect increases and decreases in energy supply costs in customer rates without having to go through extended proceedings to change fuel delivery rates.

Supply costs are expected to comprise approximately half of a residential customer's annual bill. Liberty-Keene has limited control over the market price of propane and CNG, which are unregulated commodities. Similarly, it has limited control over items such as fuel transportation. The COG mechanism allows the Company to pass those costs on to its customers directly and efficiently, without 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. Through the adjustment mechanism, Liberty-Keene may adjust the COG rates monthly, to take into account changes in the propane and natural gas markets based on actual costs to date and projected for the remainder of the period. While there is no limitation on reductions to COG rates, rates may be adjusted upward without Commission action up to a cumulative maximum of 25 percent above the approved rate.

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.² Due to COVID-19 adjustments, the Company asked the Commission to defer reconciliation, in part, to summer 2021.

The Company has recently changed its method of calculating the proposed COG rate by removing production costs. Non-supply costs were removed from the Liberty-Keene COG rate for the summer 2019 period, the winter 2019-2020 period, and from the subject summer 2020

² 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>.

period. By agreement of the parties, the appropriate manner in which to account for, and recover, production costs related to the Keene distribution system will be determined in Liberty Utilities' next distribution rate case. See DG 19-153, Hearing Transcript of October 22, 2019, at 32, and DG 19-153, Exh. 7 at Bates Page 5; DG 19-068, Liberty filing (August 26, 2019).

III. POSITIONS OF THE PARTIES AND STAFF

A. Liberty- Keene

The Company proposed a 2020 summer COG rate of \$.6326 per therm. The following table displays the expected bill impacts relative to the average summer seasonal use for a residential customer:

Typical Residential Bill Impacts in Dollars over 6 month Summer Period³				
Charge	2019	2020	Change	% Change
COG	\$78	\$55	-\$23	-30%
Delivery	\$139	\$140	\$1	0%
LDAC	\$6	\$3	-\$3	-50%
Total	\$223	\$197	-\$26	-12%

According to the Company, the number of Liberty-Keene customers with CNG service has remained constant from the 2019 summer period, when the Company began operating its CNG facilities, having converted approximately twenty Liberty-Keene customers from propane-air to CNG service in October 2019. See Exh. 1 at 11 and *Liberty Utilities (Energy North Natural Gas) Corp. d/b/a Liberty Utilities*, Order No. 26,305 at 4 (October 31, 2019). Liberty-Keene represented that it is not providing liquefied natural gas (LNG) service to its customers at this time. Hearing Transcript of April 24, 2020 (Tr.) at 60.

³ For exact figures, see Schedule I-2 in Exhibits 1 and 2.

According to the Company, the factors resulting in an overall decrease in the proposed COG rates for the upcoming summer period as compared to prior summer periods are the ongoing removal of propane production costs from the COG, the absence of CNG production costs, and changing market rates, offset by a significant over-collection from the prior summer.

Liberty-Keene's proposed rate calculation includes its forecasted change in customer usage due to the recent and on-going COVID-19 State of Emergency. Exh. 1 at 4-5, 13-14. The Company estimated a change in usage of a specified percent during the six month summer period. Liberty-Keene proposed reserving a specified percent of the CNG demand charge and a specified percent of the present over-collection to apply in the 2021 summer COG proceeding, thus allowing commercial customers that are closed or experiencing significantly reduced hours an opportunity to share relevant costs and savings. In estimating the impact of COVID-19, Liberty-Keene compared usage in March 2020 with usage in March 2019. The Company also spoke with its staff in Keene and others to benchmark changes in use due to the COVID-19 emergency. Tr. at 27-30.

B. OCA

The OCA stated its support for the Company's proposed COG rate, with the caveat that a portion of the rate would be subject to refund should the Commission later determine that Liberty-Keene's conversion from propane-air to CNG was imprudent. Tr. 80.

C. Staff

Staff supported provisional approval of the Company's proposed rate, contingent on Liberty-Keene tracking the incremental costs associated with the use of CNG, and contingent on

the refund of incremental costs if the Company's conversion to CNG, including its CNG supply contract, is deemed to be imprudent. Exhs. 7, 8.

Staff observed that recent Liberty-Keene COG filings have involved a number of revisions, requiring additional review time. Staff recommended that the Commission direct Liberty-Keene to file its future Company COG filings no fewer than 45 days before the effective date of the proposed rate change, or 47 days before the effective date, if the effective date is a weekend or holiday.

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 2020 summer COG rate as just and reasonable under RSA 374:2 and RSA 378:7. The rate has been calculated in a manner consistent with past practice, taking into account the temporary removal of production costs, and the Company's best estimate of demand given the current COVID-19 state of emergency.

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 a cumulative 25 percent of the initial approved rate and may decrease so far as is needed. *Id.* at 6-10.

We reiterate our prior conclusions that, as Liberty introduces fuels other than propane-air, the Company's COG filings should clearly detail information about those fuels, both in the Company's testimony and in its schedules. In future Liberty-Keene filings, both fuel-type and costs for each fuel shall be specified in testimony, summaries, and in discrete schedules in addition to information the Company provides on the COG rate. *See* Order No. 26,305 at 7-8.

Based upon the foregoing, it is hereby

ORDERED, that Liberty-Keene's proposed summer 2020 COG rate of \$.6326 per therm for the period of May 1, 2020, through October 31, 2020, is APPROVED, effective for service rendered on or after May 1, 2020, for residential and commercial and industrial customer classes; and it is

FURTHER ORDERED, that a maximum summer 2020 COG rate of \$0.7908 per therm for the period of May1, 2020, through October 31, 2020, 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 month and not to exceed the maximum rate specified above, with no limitation on reductions to the combined 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

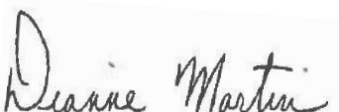
subsequent month, and it shall include a revised tariff page 90, Calculation of the Summer Cost of Gas Rate – Keene Customers, if it elects to adjust the COG rate; and it is

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

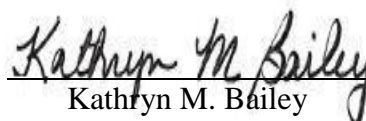
FURTHER ORDERED, that Liberty-Keene shall file properly annotated tariff pages in compliance with this order, as required by N.H. Admin. R., PART 1603, no later than 15 days from the issuance of this order; and it is

FURTHER ORDERED, that Liberty-Keene shall file its future Company COG filings no fewer than 45 days before the effective date of the proposed rate change, or 47 days before the effective date if the effective date is a weekend or holiday; applying these deadlines, the 2020-2021 winter COG shall be filed no later than September 17, 2020, and the 2021 summer COG shall be filed no later March 17, 2021.

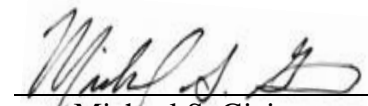
By order of the Public Utilities Commission of New Hampshire this thirtieth day of April, 2020.



Dianne Martin
Chairwoman

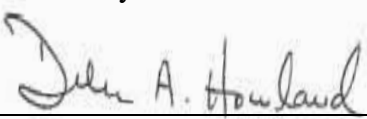


Kathryn M. Bailey
Commissioner



Michael S. Giaimo
Commissioner

Attested by:



Debra A. Howland
Executive Director

Service List - Docket Related

Docket# : 20-041

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