

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 16-812

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

2016-2017 Winter Cost of Gas Filing

Order Approving Cost of Gas Rates and Other Charges

ORDER NO. 25,960

October 28, 2016

APPEARANCES: Michael J. Sheehan, Esq., for Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities; John S. Clifford, Esq., for the Staff of the Public Utilities Commission.

In this order, the Commission approves Liberty's proposed 2016–2017 winter cost of gas rates for its Keene Division. For non-fixed price residential customers, the initial residential rate for the winter period (November 1, 2016 - April 30, 2017) will be \$1.5152 per therm and the fixed-price rate will be \$1.5352 per therm for the entire winter period. The impact of the cost of gas rate increase is an overall increase in the typical residential heating customer's winter costs over last winter of approximately \$456, or 45percent.

I. PROCEDURAL HISTORY

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities - Keene Division (Liberty-Keene) is a public utility distributing propane air gas in Keene. On September 15, 2016, Liberty-Keene filed its proposed cost of gas (COG) rates for the 2016-2017 winter period. The filing included direct testimony and supporting schedules. Commission Staff conducted discovery and met with Liberty-Keene in a technical session on October 4, 2016. A final public hearing was held on October 11. There were no petitions for intervention filed in the

docket and no person, other than the Company, appeared at the final hearing to provide public comment either in support of or in opposition to the proposed COG rates.

Liberty-Keene'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://www.puc.nh.gov/Regulatory/Docketbk/2016/16-812.html>.

II. COST OF GAS ADJUSTMENT MECHANISM

The cost of gas adjustment mechanism was implemented in 1974 during a time of rapidly changing prices as a way to immediately pass on to consumers price increases and decreases in energy supply costs without having to go through extended proceedings to change delivery rates. Supply costs are expected to make up approximately 50 percent of a residential heating customer's annual bill. Liberty has no control over the price of propane gas which is an unregulated commodity. The COG mechanism allows the Company to directly and efficiently pass along those costs to its customers without mark-up or profit. COG rates are initially set using projected costs and sales for the upcoming winter period. The Company may adjust COG rates monthly to take into account changes in the propane market based on actual costs to date and projected costs for the remainder of the period.

All supply costs and revenues are reconciled semi-annually. During each winter COG rate proceeding, the Commission reconciles the actual costs and revenues from the prior winter period. Likewise, during each summer COG proceeding, the Commission reconciles the actual costs and revenues of the prior summer. The results of the reconciliation are reflected in the COG going forward. A more detailed description of supply costs and how rates are set can be found on the Commission website at <http://www.puc.nh.gov/Gas-Steam/ratevolatility.htm>.

As in prior years, Liberty-Keene offers customers the opportunity to lock in a specific price per therm for gas supply charge called the Fixed-Price Option (FPO) program. Under the

FPO, a customer pays one price per therm for the gas supply portion of their bill from November 1 through April 30. The non-FPO rate fluctuates with market prices and is subject to monthly increases or decreases depending on the actual cost paid for the supply.

III. POSITIONS OF THE PARTIES

A. Liberty-Keene

1. Proposed Rates

Liberty-Keene proposed a non-fixed-price winter COG rate of \$1.5152 per therm, and a fixed-price option rate of \$1.5352 per therm. Liberty-Keene confirmed it is offering an FPO program and customer participation has ranged from a 18 to 43 percent over the 12 years the program has been in effect. The FPO rate reflects a \$.02 premium. The proposed rates are approximately 64 cents per therm more than last winter's initial non-FPO rate, and the 2015-2016 FPO rate. The primary driver of the increase in rates is the inclusion of production costs in the COG. Liberty represented that these production costs consist primarily of the cost to continually staff the production facility in the wake of issues at the facility last winter. The projected bill impact for the winter season is displayed in the chart below:

Winter 2016-2017 Projected Bill Impact

Customer Class	2016-2017 (Projected)	2015-2016 (Actual)	Percent Change
Residential - FPO	\$1,469	\$1,129	30%
Residential Non-FPO	\$1,458	\$1,002	46%
Commercial – FPO	\$4,372	\$3,281	33%
Commercial– Non-FPO	\$4,338	\$2,882	51%

2. Rate Change on a Bills Rendered Basis

Liberty-Keene requested a waiver of N.H. Code Admin Rules Puc 1203.05, which requires rate changes to be implemented on a service-rendered basis, so that Liberty-Keene can charge new rates on a bills-rendered basis, as Liberty-Keene's predecessor had done. According to Liberty-Keene, it would be less confusing to its customers who are used to being billed on a bills-rendered basis, and folding Keene customers into the corporate billing system is premature and too expensive at this time to allow for service-rendered billing.

B. Staff

At the hearing, Staff expressed support for approval of the 2016-2017 COG rates as filed, subject to reconciliation. Staff indicated that it had reviewed Liberty-Keene's propane purchasing stabilization plan and hedging program, and recommended that the Commission approve the COG filing. Staff also concurred with the Company's request for a waiver to allow Liberty-Keene to continue to render its customer's bills on a bills-rendered basis. The Company stated that it was working toward one cost of gas filing next year to eliminate the need for separate summer and winter filings. Staff was supportive of this position and looks forward to receiving Liberty-Keene's proposed filing next year.

IV. COMMISSION ANALYSIS

The Commission has broad statutory authority to set rates in addition to "powers inherent within its broad grant" of express 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 378:7 when setting COG rates. Based on our review of the record in this docket, we approve the proposed 2016-2017 winter COG rates as just and reasonable.

Pursuant to *New Hampshire Gas Corporation.*, Order No. 24,962 (April 30, 2009), the approved non-fixed-price rates may be adjusted downward so far as needed and upward by no more than 25 percent, without further Commission action.

We also approve Liberty-Keene's waiver request so that it may adjust rates on a bills-rendered basis consistent with waivers the Commission has granted to the Company's predecessors and in order to prevent excessive expenses to replace existing billing systems.

The Commission notes that the primary driver of the COG increase is the asserted need to continually staff the Keene production facility. We direct Staff to more fully explore this need with the Company with an eye towards reducing costs as well as ensuring reliable service.

Based upon the foregoing, it is hereby

ORDERED, that Liberty's 2016-2017 winter period COG per therm rates effective for service rendered on or after November 1, 2016, are approved as set forth in this Order, as follows:

Customer Class	2016-2017 Winter COG	2016-2017 Winter Maximum COG
Non-FPO	\$1.5152	\$1.894
FPO	\$1.5352	\$1.5352

and it is

FURTHER ORDERED, that Liberty-Keene may, without further Commission action, adjust the non-FPO 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-Keene 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-Keene shall include revised tariff pages and revised rate schedules under separate cover letter if Liberty-Keene 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-Keene shall submit its notice of rate change to customers, to the Director of Consumer Services and External Affairs; and it is

FURTHER ORDERED, that Liberty-Keene shall develop a template for customer notice of rate changes to be reviewed and approved by the Director of the Consumer Services and External Affairs Division which notice, once approved, shall be used by Liberty-Keene for notice to customers of future rate changes; and it is

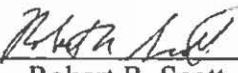
FURTHER ORDERED, that Liberty-Keene is granted a waiver of N.H. Code Admin Rules Puc 1203.05 so that it may render its customer invoices on a bills-rendered basis; and it is

FURTHER ORDERED, that Liberty-Keene is authorized pursuant to RSA 378:3 and 374:2 to modify its COG Adjustment Clause and tariff as outlined in its revised tariff pages.

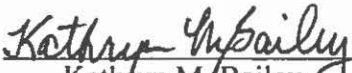
By order of the Public Utilities Commission of New Hampshire this twenty-eighth day of
October 2016.



Martin P. Honigberg
Chairman

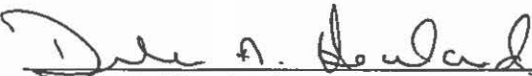


Robert R. Scott
Commissioner



Kathryn M. Bailey
Commissioner

Attested by:



Debra A. Howland
Executive Director



SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED

Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.

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