

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 13-251

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

Revised 2013-2014 Winter Cost of Gas

Order Approving Revised Cost of Gas Rate

ORDER NO. 25,633

February 28, 2014

APPEARANCES: Sarah B. Knowlton, Esq. for Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities; Rorie E.B. Hollenberg, Esq. of the Office of Consumer Advocate, on behalf of residential ratepayers; and Alexander F. Speidel, Esq. and Michael J. Sheehan, Esq. for the Staff of the Public Utilities Commission.

I. PROCEDURAL HISTORY

On January 31, 2014, Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities, formerly known as EnergyNorth Natural Gas, Inc. d/b/a Liberty Utilities, Inc. (henceforth, "Liberty") filed a petition with the New Hampshire Public Utilities Commission (Commission) to increase its cost of gas (COG) rates for non-Fixed Price Option (non-FPO) residential and commercial/industrial (C&I) customers for the remainder of the winter 2013-2014 COG period, from March 1, 2014, through April 30, 2014, beyond the approved maximum COG rates. In Order No. 25,591 (October 31, 2013), in the instant docket, the Commission approved the 2013-2014 winter COG rates for Liberty; the rate was set at \$0.8895 per therm for non-FPO residential customers, which could be adjusted monthly pursuant to Order No. 25,591 without further Commission approval to a maximum rate of \$1.1119 per therm, or 25 percent

above the approved COG rate. Order No. 25,591 at p. 10-11. The same 25 percent maximum rate increase cap was also placed on the approved C&I COG rates, which were \$1.1009 per therm for C&I, low winter use customers, and \$1.1135 per therm for C&I, high winter use customers, respectively. *Id.* Liberty reached these maximum COG rates as of February 1, 2014, through its use of the approved COG rate adjustment collar mechanism.

In its filing, Liberty proposed an increase in the COG rates for all customer classes of \$0.1322 per therm. Liberty's petition included the direct testimony and supporting attachments of Utility Analyst Mark G. Savoie, Senior Director of Energy Procurement Francisco C. DaFonte, and Environmental Program Manager Mary E. Casey. *See* Hearing Exhibit 6.

The Commission issued an order of notice scheduling a hearing for February 19, 2014. (A description of the terms of Liberty's original petition to modify the COG rates may be found within the order of notice). The Office of Consumer Advocate, by letter filed on September 23, 2013, had notified the Commission of its participation in this docket on behalf of residential ratepayers pursuant to RSA 363:28. There were no intervenors; a comment letter was filed by Robert Foster of Beacon-Mill, Inc., located in Laconia, via e-mail on February 19, 2014. The hearing was held on February 19, 2014 as scheduled.

II. POSITIONS OF THE PARTIES AND STAFF

A. Liberty

Liberty addressed the calculation of the proposed revised COG rates and customer bill impacts as well as the reasons for the rate increases, thorough Messrs. Savoie's and DaFonte's, and Ms. Casey's pre-filed written testimony, as well as Messrs. Savoie's and DaFonte's additional oral testimony at the February 19, 2014 hearing. Liberty had, in its original filing for

modification of the COG rates, proposed an increase in COG rates of \$0.1322 per therm for all rate classes, for the March 1 through April 30, 2014 remainder of the COG period, to ameliorate a projected under-collection of \$9 million for the winter 2013-2014 COG period. Transcript of February 19, 2014 Public Hearing (Tr.) at 16-17. As testified to by Mr. DaFonte, this projected under-collection is the result of drastic increases in the commodity cost of natural gas transported into the New England region, due to colder-than-normal New England weather, severe pipeline supply capacity restraints for pipelines serving the region from U.S. and Canadian gas fields to the west, and recent declines in gas and liquefied natural gas production and supply from the Canadian Maritimes provinces to the east. Tr. at 10-16.

In response to Staff inquiries, Liberty concluded that targeting a \$5.1 million under-collection for the winter 2013-2014 COG period would be prudent, in an effort to avoid rate shock for the 2014-2015 winter COG period, and to keep under-collections within the three-year historical average. Tr. at 20-21; 26. Using this targeted under-collection figure of \$5.1 million, Liberty calculated that the required increase in the COG rates applicable to the March 1-April 30, 2014 period would be \$0.1796 per therm for all rate classes. *Id.* As a final position, Liberty proposed an \$0.18 increase in the COG rates for all rate classes. Tr. at 45.

Liberty, in cooperation with Staff, presented at hearing a rate impact summary table for an across-the-board \$0.1796 per therm COG rate increase for residential customers, which indicated that a proposed revised COG rate for residential customers of \$1.2915 per therm, when combined with past COG rate adjustments, would have the result of increasing residential heating customers' (using 650 terms during the winter heating season) bills by approximately

\$141 for the entire winter heating season, or 16 percent, compared to the COG rates in place during the 2012-2013 winter heating season. *See* Hearing Exhibit 7; *see also* Tr. at 20.

B. OCA

The OCA stated that it supported an increase in Liberty's COG rates by \$0.18 per therm for all customer classes. Tr. at 62.

C. Staff

Staff, through the hearing oral testimony of Stephen P. Frink of the Gas and Water Division and its closing statement, expressed its support for a \$0.18 per therm COG rate increase for all rate classes, as appropriate to limit the projected 2013-2014 winter COG under-recovery to approximately \$5.1 million. Tr. at 38-45. Staff supported this measure as a means of ensuring that Liberty's COG rates fairly reflected current pricing, while balancing customer bill impacts, in an effort to ameliorate the under-collection that would be recovered as part of the 2014-2015 winter COG rates. *Id.*; Tr. at 62-63.

III. COMMISSION ANALYSIS

Based on our review of the record in this docket, we approve the proposed upward adjustment in the winter 2013-2014 COG rates of \$0.18 per therm for all classes of non-FPO Liberty customers, to take effect as of March 1, 2014, as a just and reasonable rate pursuant to RSA 378:7. Though we are mindful of the tremendous burden these increases place on customers, Liberty is legally entitled to recovery of these costs. Liberty earns no profit on the gas component of its bills and demonstrated that has done what it can to minimize gas cost increases for its customers. With current natural gas market conditions, it is prudent for Liberty to target an under-collection, to be collected during the 2014-2015 winter COG season, that is

within the range of recent historical averages, in an effort to ameliorate future rate shock caused by excessive under-collection accrual.

Based upon the foregoing, it is hereby

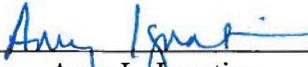
ORDERED, that Liberty's proposed revised 2013-2014 winter season non-FPO COG rate of \$1.2919 per therm for residential customers, \$1.2809 for C&I, low winter use customers, and \$1.2935 for C&I, high winter use customers, for the period March 1, 2014 through April 30, 2014 is **APPROVED**, effective for service rendered on or after March 1, 2014; and it is

FURTHER ORDERED, that Liberty shall provide the Commission with its monthly calculation of its projected over- or under-collection, not less than five business days prior to the first day of the subsequent month; and it is

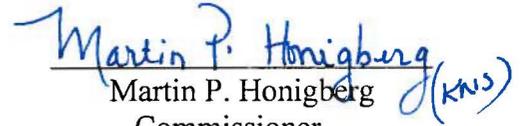
FURTHER ORDERED, that the over- or under-collection shall accrue interest at the monthly prime lending rate as reported by the Federal Reserve Statistical Release of Selected Interest Rates; and it is

FURTHER ORDERED, that Liberty shall properly file 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. Code Admin. Rules Puc 1603.

By order of the Public Utilities Commission of New Hampshire this twenty-eighth day of
February, 2014.

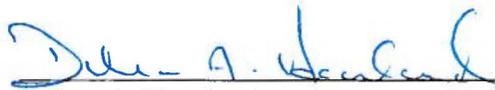


Amy L. Ignatius
Chairman



Martin P. Honigberg
Commissioner

Attested by:



Debra A. Howland
Executive Director