

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 15-391

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

Winter 2015-2016 Cost of Gas

Order Approving Cost of Gas Rates

ORDER NO. 25,834

October 30, 2015

APPEARANCES: Ronald J. Ritchie, Esq., for Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities; Susan Chamberlin, Esq., Consumer Advocate, on behalf of residential ratepayers; and Alexander F. Speidel, Esq., for the Staff of the Public Utilities Commission.

In this order, the Commission approves the Liberty Utilities (EnergyNorth Natural Gas) Corp. - Keene Division's proposed 2015-2016 winter cost of gas rate and fixed-price option rate, which are \$0.8788 per therm and \$0.8988 per therm, respectively. For non-fixed-price customers, this represents a \$0.5437 per therm decrease compared to the 2014-2015 winter period. The impact of the cost of gas rate decrease is an overall decrease in the typical residential heating customer's winter costs over last winter of approximately \$293, or 21 percent, assuming propane gas supply conditions are as the company projects and normal weather conditions prevail.

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 16, 2015, Liberty-Keene filed proposed rate adjustments pursuant to the cost of gas (COG) clause in its tariff for the 2015-2016 winter period from November 1, 2015, through

April 30, 2016. The filing included the direct testimony and supporting schedules of Francisco C. DaFonte and David B. Simek.¹ 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/2015/15-391.html>.

The Commission issued an order of notice scheduling a hearing for October 23, 2015. The Office of the Consumer Advocate (OCA) notified the Commission of its participation on behalf of residential ratepayers pursuant to RSA 363:28. There were no intervenors.

Commission Staff (Staff) conducted discovery and held a technical session, which representatives of the OCA attended. The hearing was held as scheduled at which Liberty-Keene's witnesses adopted their pre-filed testimony and provided additional live testimony. *See* Transcript of October 23, 2015, Public Hearing (Tr.)

II. COST OF GAS ADJUSTMENT MECHANISM

The cost of gas adjustment mechanism was implemented in 1974 during an era of rapidly changing prices to provide a way to immediately pass on to customers any price increases and decreases in supply costs without having to go through an extended proceeding to change rates. This winter, supply costs are expected to make up approximately 42% of a residential heating customer's winter bill and consist primarily of commodity prices (the cost of the propane gas itself), the cost to transport the propane, and storage costs. Liberty-Keene has no control over the price of propane, which is an unregulated commodity, or over propane transportation rates. The COG mechanism allows the Company to pass those costs directly to customers, but prohibits any mark-up of, or profit on, those costs. COG rates are initially set using projected costs and sales for the upcoming summer or winter period. The Company may adjust COG rates

¹ Liberty-Keene's filing is Exhibit 1.

monthly, by up to 25 percent, to take into account changes in the propane gas 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 reconciliations are reflected in the COG rate 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> and <http://www.puc.nh.gov/Gas-Steam/howgasratesareset.htm>.

III. POSITIONS OF THE PARTIES

A. Liberty-Keene

Liberty-Keene proposed a non-fixed-price COG rate of \$0.8788 per therm, and a fixed-price option program (FPO) rate of \$0.8988 per therm, incorporating the approved \$0.02 FPO premium. The following table compares the proposed rates with the weighted average rates for last winter and the expected bill impact based on last winter’s average use of those customer classes.

Per Therm Rates (weighted average) & Bill Impacts (average usage) in Dollars								
		Rate			Average Cost to Customer over 6 months			
Class	Charge	2014-15	2015-16	Change	2014-15	2015-16	Change	% Change
Residential Heating	COG	1.4225	0.8788	(0.5437)	765	473	(293)	-38%
	Delivery	1.2136	1.2136	0.0000	653	653	0	0%
	Total	2.6357	2.0929	(0.5428)	1,418	1,126	(292)	-21%
Commercial	COG	1.4273	0.8788	(0.5485)	2,786	1,715	(1,071)	-38%
	Delivery	0.9907	0.9907	0.0000	1,934	1,934	0	0%
	Total	2.4180	1.8694	(0.5487)	4,720	3,649	(1,071)	-23%

1. Reasons for the Decrease in the COG Rates

Mr. Simek and Mr. DaFonte testified that the lower COG for the 2015-2016 winter period is due to current and projected market conditions, which are reflected in a decrease in the spot market prices for propane, and the benefits of a propane storage arrangement with Liberty-Keene's sister company Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities. This Amherst storage facility stores half of its capacity (300,000 gallons of propane) on behalf of Liberty-Keene, which can be purchased at lower prevailing summer prices and stored for winter use by Liberty-Keene. Exhibit 1 at 11-12. Mr. Simek and Mr. DaFonte testified that a prior period over-collection of approximately \$92,000 also contributed to the reduced COG rate. Exhibit 1 at 5.

2. Supply Reliability and Price Stability – Hedging

Mr. DaFonte testified that approximately 56 percent of Liberty-Keene's propane purchases will be at a known price going into the winter. Tr. at 14-15. Mr. DaFonte also testified that when the storage capability of the Amherst facility is included, which is expected to contribute 23 percent of Liberty-Keene's winter supply, approximately 79 percent of Liberty-Keene's propane supply is hedged. Tr. at 15. Mr. DaFonte also confirmed that the propane-supply disruptions of recent years have receded. Tr. at 16. Liberty also provided an update regarding its Propane Purchasing Stabilization Plan, ordered pursuant to *New Hampshire Gas Corp.*, Order No. 24,745 (Apr. 27, 2007). Exhibit 1 at 8.

3. Fixed-Priced Option Program

Liberty-Keene confirmed its offering of an FPO program, with a \$0.02 FPO premium over the general COG rate, for the upcoming 2015-2016 winter COG period. Exhibit 1 at 10.

The FPO enrollment deadline was October 20, 2015, with 221 customers (approximately 30 percent of Liberty-Keene's gas load) participating in the FPO program. Tr. at 17; 21-22.

4. Rate Changes 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 the new rates on a bills-rendered basis, as Liberty-Keene's predecessor had done for years. 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 the Keene customers into the corporate billing system is premature and too expensive at this time to allow for service-rendered billing.

Exhibit 1 at 15.

B. OCA

The OCA did not object to the implementation of Liberty-Keene's COG rates as filed. Tr. at 23.

C. Staff

Staff expressed its support for approval of the 2015-2016 COG rates filed by Liberty-Keene, subject to reconciliation, and also supported Liberty-Keene's waiver request for bills-rendered basis billing. Tr. at 23.

IV. COMMISSION ANALYSIS

The Commission has broad statutory authority to set rates. The Commission applies the "just and reasonable" ratemaking standard of RSA 378:7 when setting COG rates. *Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities*, Order No. 25,658 (Apr. 30, 2014). Based on our review of the record in this docket, we approve the proposed 2015-2016 winter period COG rates as just and reasonable. Since the COG rates are reconciled year over

year, any adjustments needed as a result of further inquiry into these matters can be made in Liberty-Keene's next winter COG proceeding for 2016-2017.

We also approve the Company's waiver request so that it may adjust rates on a bills rendered basis, consistent with waivers we granted to the Company's predecessor, and in order to prevent excessive expenses to existing billing systems.

We note that pursuant to *EnergyNorth Natural Gas, Inc. d/b/a National Grid NH*, Order No. 24,963 (Apr. 30, 2009), the approved rates may be adjusted downward so far as is needed, and upward by no more than 25 percent, without further Commission action.

Based upon the foregoing, it is hereby

ORDERED, that Liberty-Keene's 2015-2016 winter period COG per therm rates, \$0.8788 for non-Fixed Price Option, and \$0.8998 for Fixed Priced Option customers, for November 1, 2015, through April 30, 2016, are APPROVED as set forth in this Order, effective for bills rendered on or after November 1, 2015; and it is

FURTHER ORDERED, that Liberty-Keene 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 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

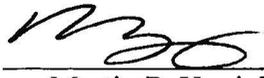
FURTHER ORDERED, that Liberty-Keene shall provide the Commission with its monthly calculation of the projected over- or under-collection, along with the resulting revised COG rates for the subsequent month, not less than five business days prior to the first day of the subsequent month. Liberty-Keene shall include revised tariff page 18, Calculation of the Winter Cost of Gas Rate, and revised rate schedules under separate cover letter if Liberty-Keene elects

to adjust the COG rates, with revised tariff pages to be filed as required by N.H. Code Admin. Rules Puc 1603; and it is

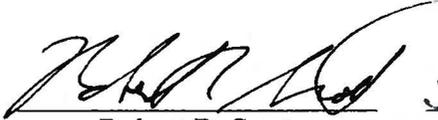
FURTHER ORDERED, that the over- or under-collection shall accrue interest at the prime rate as reported by the Federal Reserve Statistical Release of Selected Interest Rates, the rate to be adjusted monthly; and it is

FURTHER ORDERED, that Liberty-Keene shall file properly 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.

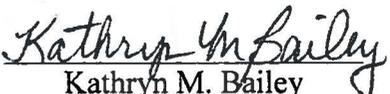
By order of the Public Utilities Commission of New Hampshire this thirtieth day of October, 2015.



Martin P. Honigberg
Chairman

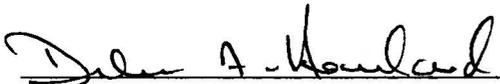


Robert R. Scott
Commissioner



Kathryn M. Bailey
Commissioner

Attested by:



Debra A. Howland
Executive Director