

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 17-035

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

**Petition for Approval of Special Contract with
New Hampshire Department of Administrative Services**

Order Approving Special Contract

ORDER NO. 26,018

May 15, 2017

This order approves a special contract between Liberty and the New Hampshire Department of Administrative Services, relative to conversion from Concord Steam service to gas service provided by EnergyNorth.

On March 1, 2017, Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities (“Liberty” or “the Company”), filed a petition seeking approval of its special contract with the New Hampshire Department of Administrative Services (“NHDAS”), the State’s agency responsible for the provision of heat to State buildings in Concord. The petition and subsequent docket filings, other than any information for which confidential treatment is requested or granted by the Commission, are posted to the Commission’s website at

<http://www.puc.nh.gov/Regulatory/Docketbk/2017/17-035.html>.

I. BACKGROUND AND POSITIONS OF THE PARTIES

The genesis of this special contract proposal was the impending termination of Concord Steam service (on or about May 31, 2017), as approved through proceedings in Docket Nos. DG 16-769 and DG 16-770, and by Commission Order Nos. 25,947 (September 28, 2016), 25,965 (November 10, 2016), and 25,966 (November 10, 2016). Liberty, as the gas utility offering service in the City of Concord, has been involved in converting some of Concord

Steam's customers to natural gas heating; one such customer is NHDAS. In the downtown State House building complex, and in a satellite State office complex area along Pleasant Street, NHDAS has found it necessary to work with Liberty on temporary gas boiler installations to heat certain buildings. The proposed special contract relates to that effort.

In support of its petition, Liberty submitted the pre-filed testimony of William J. Clark, Director of Business Development of Liberty Utilities Service Corp., a Liberty affiliate. Mr. Clark explained that NHDAS has 23 state-owned buildings connected to the Concord Steam distribution system that will require heat and hot water once Concord Steam discontinues service. These buildings will be served by the temporary steam boilers that are the subject of the proposed special contract. Mr. Clark further explained that due to the size and scope of the conversion project, NHDAS will not be able to convert these buildings on a permanent basis in time for the 2017-2018 heating season, and further, that NHDAS does not currently have the authority to contract for the temporary boiler plants required to heat the buildings in the interim. As a solution, Liberty proposes a special contract with NHDAS whereby Liberty will contract for the temporary boiler installations and pass those costs to NHDAS on its gas bills without markup.

Liberty's proposed special contract with NHDAS has a term through September 30, 2018, with provisions for early termination and extensions. Liberty proposes to pay for the associated engineering costs, boiler rental fees, steam piping connections, electrical connections, water connections, and any associated installation requirements for the temporary gas boiler installations to serve NHDAS's buildings. According to the terms of the special contract, those costs have a "not-to-exceed" level of \$2,725,000. Liberty proposes to recover all of those costs as a surcharge on NHDAS's monthly distribution gas bills, with the total installation fees prorated and collected in equal amounts over 15 months.

Liberty expects to only add to rate base the design and construction costs associated with the natural gas distribution piping and meter sets that it will install for NHDAS, which is what would occur for any new customer installation, according to Liberty. Liberty estimated that the direct construction costs for gas piping would be \$169,130, and estimated the gas meter and regulator costs to amount to \$25,000, for a total expected direct construction cost to be included in rate base of \$194,130. Liberty estimated that the expected distribution revenues to be derived over the term of its special contract with NHDAS are \$297,698, which exceed the direct construction costs, making the proposed special contract economically justified, and thereby beneficial to Liberty ratepayers at large. Liberty also argued that the proposed special contract would enable NHDAS to provide heat to 23 public buildings at competitive prices while allowing time for NHDAS to fully evaluate the options for its permanent heating system.

Commission Staff reviewed the filing and conducted discovery regarding the proposal. On April 20, 2017, Staff filed a memorandum recommending that the Commission approve the proposed special contract as filed. Staff also recommended that: (1) Liberty should be required to notify the Commission if costs exceed the maximum allowed for recovery from NHDAS (\$2,725,000); and (2) if those costs are exceeded and a contract amendment is necessary and denied, Liberty must explain to the Commission the Company's plans in light of the denial, the expected impact on boiler operations, cost, and cost recovery.

II. COMMISSION ANALYSIS

RSA 378:18 authorizes the Commission to approve a special contract when "special circumstances exist which render such departure for the general schedules just and consistent with the public interest."

In this case, we find special circumstances exist and the approval of the proposed special contract between Liberty and the NHDAS to be in the public interest, and therefore approve the


special contract. The proposed pass-through of costs to NHDAS's bills and the terms and provisions of the special contract are just and reasonable, and economically justified. We also find the circumstances of this special contract unique, arising from the closure of Concord Steam and the requirement for NHDAS to convert its buildings to alternative heating service. We concur with the Staff of the advisability of the two additional reporting requirements and adopt them herein. We do not, however, decide the ultimate prudence of Liberty's expected inclusion in rate base of the design and construction costs associated with the natural gas distribution piping and meter sets that it will install for NHDAS at this time.

Based upon the foregoing, it is hereby

ORDERED, that the proposed special contract between Liberty and the NHDAS is hereby APPROVED; and it is

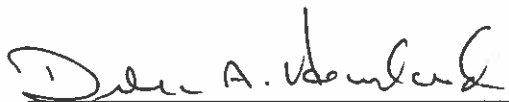
FURTHER ORDERED that Liberty notify the Commission if its costs related to this special contract exceed \$2,725,000, and if a contract amendment is necessary and denied, an explanation of the Company's plans in light of the denial, and the expected impact on boiler operations, cost, and cost recovery.

By order of the Public Utilities Commission of New Hampshire this fifteenth day of May, 2017.


Robert R. Scott
Commissioner


Kathryn M. Bailey
Commissioner

Attested by:


Debra A. Howland
Executive Director