

**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 Period Cost of Gas Adjustment

Order Modifying Cost of Gas Reconciliation Calculations

ORDER NO. 26,048

August 22, 2017

In this order, the Commission determines the manner and timing of recovery of production costs incurred over the 2015-2016 and 2016-2017 winter seasons, allowing recovery of most of those costs through Liberty-Keene's cost of gas rates, and requiring the Company to seek recovery of additional production costs in its next distribution rate case.

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities – Keene Division (“Liberty-Keene”), is a public utility that distributes propane air gas in Keene. In *Liberty Utilities – Keene Division, 2016-2017 Winter Period Cost of Gas Adjustment*, Order No. 25,960 (October 28, 2016), the Commission approved Liberty-Keene's cost of gas (“COG”) rates for the 2016-2017 winter period. In its initial COG filing, Liberty-Keene included production costs from the 2015-2016 winter period and projected production costs for the 2016-2017 winter period. Liberty-Keene has included those costs in its subsequent monthly projected over- or under-collection reports.

On December 22, 2016, Commission Staff filed a memorandum in which Staff objected to the inclusion of production costs in the COG. Staff stated that Keene production costs are being recovered, and have traditionally been recovered, through delivery rates. Staff took no position as to whether the production costs reflected in the Liberty-Keene delivery rates reflect the current production costs, but recommended that the issue be addressed as part of a general

rate case. Staff also expressed concern that the production costs related to the continuously staffed operation of Liberty-Keene's propane-air mixing plant might not be prudently incurred under the ratemaking standards of RSA Chapter 378.

On February 7, 2017, the Commission scheduled a hearing to resolve the issues raised in the Staff's memorandum. Pending that resolution, the Commission ordered Liberty-Keene to exclude actual and projected 2016-2017 winter production costs from future winter period 2016-2017 monthly projected over- or under-collection reports. *Liberty Utilities – Keene Division, 2016-2017 Winter Period Cost of Gas Adjustment*, Order No. 25,986 at 2 (February 7, 2017). Liberty-Keene and Staff filed a Settlement Agreement Regarding Production Costs on March 8, 2017, and a hearing to consider the settlement was held on April 19.

Staff and Liberty-Keene agreed to three terms to settle the dispute regarding the recovery of production costs in COG rates. Specifically, they agreed to (1) the recovery of all production costs incurred over the 2015-2016 winter season through the following 2016-2017 winter COG rate, (2) the recovery of one-half of the production costs incurred over the 2016-2017 winter season through the current 2016-2017 winter COG rates, and (3) no recovery of production costs in Liberty-Keene's future 2017 Summer COG filing. Any over- or under-recovery would be reconciled in the future 2017-2018 winter COG rate.

Staff testified at hearing that the effect of the Commission's Order No. 25,986 and the Settlement Agreement was to save Liberty-Keene ratepayers approximately \$300,000 in COG expenses. Hearing Transcript of April 10, 2017, at 12. Staff explained that Liberty-Keene could seek to recover production costs that would not be recovered in COG rates in a future rate filing and that the prudence of those costs could be considered in that future docket. *Id.* at 19. Liberty-Keene agreed that the recovery of production costs not recovered in COG rates pursuant to the settlement would be more appropriately addressed in a delivery rate case. *Id.* at 21.

The settlement agreement and all related docket filings are posted to the Commission's website at <http://www.puc.nh.gov/Regulatory/Docketbk/2016/16-812.html>.

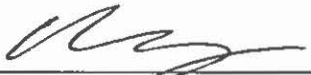
Pursuant to RSA 541-A:31, V(a), informal disposition may be made of any contested case at any time prior to the entry of a final decision or order, by stipulation, agreed settlement, consent order, or default. N.H. Code Admin. Rules Puc 203.20(b) requires the Commission to approve the disposition of a contested case by settlement if it determines that the settlement results are just and reasonable and serve the public interest. In general, the Commission encourages parties to attempt to reach a settlement of issues through negotiation and compromise, as it is an opportunity for creative problem solving, allows the parties to reach a result more in line with their expectations, and is often a more expedient alternative to litigation. *EnergyNorth Natural Gas, Inc. d/b/a National Grid NH*, Order No. 25,202 at 17 (March 10, 2011). Even when all parties join a settlement agreement, however, the Commission cannot approve it without independently determining that the result comports with applicable standards. *Id.* at 18.

Based on Staff's recommendation and the testimony at hearing, we find that allowing recovery of all of the 2015-2016 and half of the 2016-2017 winter production costs through the 2016-2017 winter COG rates will result in just and reasonable winter COG rates and serves the public interest. The Settlement Agreement will save a typical residential heating customer approximately \$135 or 8% on gas costs for the twelve months ending October 31, 2017, based on Liberty-Keene COG sales forecasts and customer bill impact analysis (Dockets DG 16-812 & DG 17-047). We will address the issue of the prudence of and the amount of deferred production costs if and when Liberty-Keene seeks recovery of those costs as part of a delivery rate filing. Accordingly, we approve the Settlement Agreement Regarding Production Costs.

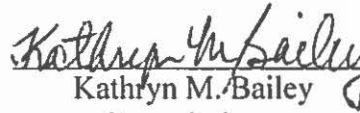
Based upon the foregoing, it is hereby

ORDERED, that the Settlement Agreement is Approved.

By order of the Public Utilities Commission of New Hampshire this twenty-second day
of August, 2017.

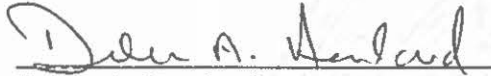


Martin P. Honigberg
Chairman



Kathryn M. Bailey
Commissioner

Attested by:



Debra A. Howland
Executive Director

