

**STATE OF NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION
INTER-DEPARTMENT MEMORANDUM**

Date: October 25, 2012

TO: Commissioners

FROM: Marcia A. B. Thunberg, Hearing Examiner

RE: DG 12-265 EnergyNorth Natural Gas, Inc. d/b/a Liberty Utilities
Winter 2012-2013 Cost of Gas



HEARING EXAMINER'S REPORT

At your request, I presided over the October 16, 2012 hearing in the above referenced case.

On August 31, 2012, EnergyNorth Natural Gas, Inc. d/b/a Liberty Utilities (Liberty) filed its proposed cost of gas (COG) and fixed price option (FPO) rates for the winter period, November 1, 2012 through April 30, 2013, and its local delivery adjustment clause (LDAC) charges and certain supplier charges for the period November 1, 2012 through October 31, 2013.

The Commission issued an order of notice on September 10, 2012 setting a hearing date of October 16, 2012. EnergyNorth filed an affidavit of publication on September 24, 2012.

On September 20, 2012, the Office of the Consumer Advocate (OCA) filed its notice of its intent to participate in this docket. No persons filed intervention requests and no requests for interventions were made at the hearing.

Appearances

Sarah B. Knowlton, Esq. for EnergyNorth Natural Gas, Inc. d/b/a Liberty Utilities
Rorie E.P. Hollenberg, Esq. for Office of the Consumer Advocate
Alexander F. Speidel, Esq. for Commission Staff

Hearing Summary

Exhibits marked for identification and admitted as full exhibits at the close of hearing:

1. Confidential version of Liberty's 2012-2013 Winter Cost of Gas filing
2. Redacted version of Liberty's 2012-2013 Winter Cost of Gas filing
3. Revised Tariff Pages
4. Redacted Tariff Pages

Liberty presented Michele V. Leone as a witness as well as a panel comprised of Ann E. Leary and Francisco C. DaFonte. All three witnesses had filed pre-filed testimony in Liberty's COG filing.

The witnesses made the following corrections to the COG filing: on page 12 of the filing, Testimony of Ms. Leary, the reference in the top line to Exhibit B should instead be to Exhibit C. On page 101 of the filing, column Nov-12(c) contains a number, 1.20% which should instead read 1.02%. On page 171 of the filing, Schedule 19, the OffPeak 2012 Rate Case Expense Projected Interest should be \$4,303 instead of \$4,804.

Ms. Leone adopted her testimony and on cross examination was asked to provide an update on the Liberty Hill remediation effort. She testified that remediation activities have been performed on a number of sites. She stated that Liberty is working on sites in Nashua, Concord, Concord Pond, Liberty Hill, and Manchester. She stated that none of the sites have been remediated to closure to date and that a number of activities have been performed as approved by NH Department of Environmental Services. She stated that total environmental costs to date are \$30.6 million. The company has recovered \$22.8 million, has spent \$7.2 million pursuing insurance claims, and thus has a net recovery of \$15 million.

Ms. Leary and Ms. DeFonte testified that Exhibits 3 and 4 are revised pages of its 2012-2013 Winter Cost of Gas filing.

Ms. Leary testified that as of October 11, 2012, Liberty had enrolled approximately 8,962 customers in the FPO program rate. She also testified that the 2012-2013 Winter COG rate is approximately 5.9 cents lower than last winter's average cost of gas rate. She stated that taking all the proposed rate changes into consideration, the average residential heating customer will pay approximately \$96 less this winter than last winter. This equates to an 8.8% bill decrease. Ms. Leary testified that last year, FPO program customers ended up paying approximately \$76 more than the COG customers. Ms. Leary testified that the New York Mercantile Exchange (NYMEX) natural gas futures price used in their filing, \$3.41, had increased by 26 cents per dekatherm since the filing and was now at \$3.67. Ms. Leary testified that Liberty looked at the change and calculated that updating the price in the filing would increase the COG rate by one cent. Liberty did not believe this slight change warranted revising the filing. Ms. Leary testified that approximately 63% of its gas supplies are hedged to a predetermined fixed price. Ms. Leary testified that the LDAC is about 4 cents lower this year as compared to last year due to decreases in the energy efficiency factor and rate case expense factor.

Mr. DaFonte testified that the demand forecast for this winter period is approximately 6.2% less than last year's forecast. Liberty is not assuming a rebound in the economy in this years' forecast; rather it is forecasting a relatively stagnant economic growth pattern.

Mr. DaFonte testified that he is not aware of any operational problems or supply disruptions during the last year. He is not expecting any issues with liquefied natural gas or propane peak shaving supplies for this winter period. He testified that Liberty has sufficient qualified plant operators, support staff, and supervisors to maintain and operate the facilities if needed this winter. He testified that the same employees that operated the vaporization and storage facilities

under National Grid are still responsible for those operations and remain under Liberty's ownership.

Mr. DaFonte testified that he is hopeful that the issues regarding the Portland Natural Gas Transmission Company and TransCanada rate cases will be resolved although he does not expect those issues to be resolved immediately.

Closing Statements

The OCA stated that it had no objection to the proposed cost of gas rate proposed by Liberty. See Hearing Transcript of October 16, 2012 at 36-37.

Staff stated that it supported Liberty's proposed 2012-2013 COG rates. Staff stated that Audit Staff had reviewed the 2012-2012 COG reconciliation and found no exceptions. Staff stated the sales forecast for the 2012-2013 period is consistent with past experience, the supply plan is based on the principle of least cost planning, and that the direct gas costs are based on actual or hedged prices and projected pricing that reflect market expectations. Staff stated that the rates will be reconciled in the 2013-2014 period COG proceeding. With respect to audit of environmental remediation costs, Staff stated that Audit Staff had not yet completed its review of those costs. Staff stated that any issues that may arise related to the 2012-2013 environmental remediation costs may be raised and addressed in next year's COG. Staff recommended the Commission approve the revised LDAC rate as well as the Temporary Rate Reconciliation Adjustment rate factor approved in Docket No. DG 11-192. Staff also recommended the Commission approve the proposed supplier balancing charges, the allocation factor, and capacity allocator percentage.

Liberty stated that this filing was consistent with prior COG filings even though ownership has changed from National Grid to Liberty. Liberty stated that this is the first year that the environmental factor in the LDAC has risen above zero in the past five years and that it is the result of historic aggressive actions by Liberty to pursue recovery of dollars from third parties. Liberty requested the Commission approve the COG and LDAC rates for the upcoming winter season.

Recommendations

I have adopted the recommendations of Staff and the parties in this docket. Liberty, Staff, and the OCA recommend the Commission approve the rates proposed in the 2012-2013 Winter Cost of Gas filing.

By Marcia A. B. Thunberg
Marcia A. B. Thunberg, Hearing Examiner