

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 16-814

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

2016/2017 Winter/Summer Cost of Gas Filing

Order Approving Cost of Gas Rates and Other Charges

ORDER NO. 25,958

October 26, 2016

APPEARANCES: Michael J. Sheehan, Esq., for Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities; John S. Clifford, Esq., for the Staff of the Public Utilities Commission.

In this order, the Commission approves Liberty's proposed 2016-2017 winter and summer cost of gas rates. For residential customers the initial rate for the winter period (November 1, 2016 - April 30, 2017) will be \$0.7162 per therm and the fixed-price option will be \$0.7268 per therm. The local delivery adjustment charge (LDAC) will be \$0.0553 per therm from November 1 through December 31, and \$0.0640 per therm beginning January 1, 2017. For non-fixed-price residential customers, the cost of gas rate is \$.2021 per therm higher than the weighted average residential cost of gas of \$0.5141 per therm in effect during the 2015-2016 winter period. The fixed-price cost of gas rate for this winter is \$0.0448 per therm lower than last year.

The proposed COG rate for residential customers during the summer period (May 1, 2017 - October 31, 2017) is \$0.4368 per therm. The proposed rate is \$0.0139 per therm higher than the actual weighted average cost of gas for the 2016 summer period. An average residential heating customer will see an average monthly bill of about \$135 per month in winter 2016-2017

compared to \$119 for winter 2015-2016 and an average monthly bill of \$44 in summer 2017 which was about the same in 2016. In this order, the Commission also approves Liberty's proposal to reduce the number of COG rate filings from two per year (for winter and summer rates) to a single annual COG filing implementing seasonal (winter and summer) COG rates.

I. PROCEDURAL HISTORY

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities (Liberty) is a public utility distributing natural gas to approximately 90,000 customers in southern and central New Hampshire and in the city of Berlin. On September 1, 2016, Liberty filed a proposed rate adjustment pursuant to its cost of gas (COG) clause and other rate adjustments, in its tariff for the 2016-2017 winter and summer periods. The filing included direct testimony and supporting schedules. Commission Staff held discovery and conducted a technical session with Liberty on October 4, 2016. The Company filed a modified request on October 10 before the final hearing held on October 11. There were no petitions for intervention filed in the docket and no person appeared at the final hearing to provide public comment either in support of or in opposition to the proposed COG rates. Liberty's filing and subsequent docket entries, other than 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/2016/16-814.html>.

II. COST OF GAS ADJUSTMENT MECHANISM

The cost of gas adjustment mechanism was implemented in 1974 during a time of rapidly changing prices as a way to immediately pass on to consumers price increases and decreases in energy supply costs without having to go through extended proceedings to change delivery rates. Supply costs make up approximately 50 percent of a residential heating customer's annual bill and include commodity prices (the cost of gas), the cost to transport the gas over the pipelines, and storage costs. Liberty has no control over the price of natural gas which is an unregulated

commodity. Similarly, it has no price control over pipeline transportation rates, which are set by the Federal Energy Regulatory Commission. The COG mechanism allows the Company to directly and efficiently pass along those costs to its customers without mark-up or profit. COG rates are initially set using projected costs and sales for the upcoming winter and summer periods. The majority of natural gas storage and pipeline costs are incurred to meet winter demand and, although the Company is billed evenly throughout the 12-month period, those costs are allocated to the winter period and recovered through winter COG rates. The Company may adjust COG rates monthly to take into account changes in the natural gas market based on actual costs to date and projected costs for the remainder of the period.

Another rate the Commission sets within the context of COG proceedings is the local delivery adjustment charge (LDAC). The LDAC allows for recovery of expenses the Commission has approved in prior dockets through a per therm surcharge to be determined and implemented in the COG proceeding. Those expenses include costs associated with Liberty's low-income and energy efficiency programs, an environmental surcharge for manufactured gas plant (MGP) remediation, and the energy efficiency resource standard lost revenue adjustment mechanism (LRAM). The LRAM is a new rate mechanism being included in the LDAC in accordance with Order No. 25,932 (August 2, 2016) approving a settlement agreement that provides for the implementation of a mechanism to recover lost revenue due to the installation of energy efficiency measures, beginning in January 2017.

III. POSITIONS OF THE PARTIES

A. Liberty

Liberty proposed residential, commercial/industrial (C&I) high winter use, and C&I low winter use, winter COG per therm rates of \$0.7162, \$0.7121, and \$0.7305 respectively. It

proposed summer COG per therm rates of \$0.4368 for residential, \$0.4206 for C&I high winter use, and \$0.4574 for C&I low winter use customers. The Company also proposed an LDAC of \$0.0553 per therm for residential customers from November 1 through December 31, and an LDAC of \$0.0640, effective January 1, 2017, to reflect the start date of the LRAM. The proposed LDAC for C&I classes is \$0.0370 per therm effective November 1, 2016, and \$0.0450 per therm effective January 1, 2017. The following tables display the expected total bill impact based on the prior winter's and summer's average use of each customer class.

Winter 2016-2017 Projected Bill Impact

Class	2016-2017 (Projected)	2015-2016 (Actual)	% Change
R-3 Residential Heating	\$812	\$713	14%
G-42 C&I Medium High Winter Use	\$12,284	\$10,182	21%
G-52 C&I Low Winter Use	\$9,569	\$8,077	18%

Summer 2017 Projected Bill Impact

Class	2017 (Projected)	2016 (Actual)	% Change
R-3 Residential Heating	\$262	\$265	-1%
G-42 C&I Medium High Winter Use	\$3,956	\$4,000	-1%
G-52 C&I Low Winter Use	\$4,407	\$4,518	-2.5%

An average residential heating customer will see an average monthly bill of about \$135 per month in winter 2016-2017 compared to \$119 for winter 2015-2016, and an average monthly bill of \$44 in summer 2017 which was about the same in 2016.

The Company proposed a single annual COG filing incorporating the summer cost of gas rates in the winter filing. Liberty confirmed that all reconciliation and accounting processes would remain the same.

B. Staff

At the hearing, Staff expressed support for approval of the 2016-2017 COG and LDAC rates as filed, subject to reconciliation, and the approval of a single COG filing along with the implementation of the new LRAM rate in the LDAC. Staff indicated that it had reviewed Liberty's proposed supply balancing charges, the Company gas allowance factor percentage, and the capacity allocator percentages and recommended the Commission approve the COG filing elements.

IV. COMMISSION ANALYSIS

The Commission has broad statutory authority to set rates in addition to "powers inherent within its broad grant" of express authority. *Appeal of Verizon New England, Inc.*, 153 N.H. 50, 64-65 (2005) (citations omitted). The Commission applies the "just and reasonable" ratemaking standard of RSA 378:7 when setting COG rates. *See Northern Utilities, Inc.*, Order No. 25,891 (April 29, 2016). Based on our review of the record in this docket, we approve the proposed 2016-2017 winter and summer COG rates as just and reasonable. We also approve Liberty's LDAC rate components. Since actual costs and revenues are reconciled every year, any adjustments needed as a result of further inquiry into these matters can be made in Liberty's next COG filing for 2017-2018.

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

with one annual reconciliation is a just and reasonable mechanism for setting the winter season and summer season COG rate. An annual filing will improve administrative efficiency without sacrificing the accuracy of the reconciliation and we therefore approve that approach.

Based upon the foregoing, it is hereby

ORDERED, that Liberty's 2016-2017 winter period COG per therm rates effective for service rendered on or after November 1, 2016, and rates for 2017 summer season effective on May 1, 2017, are approved as set forth in this Order, as follows:

Customer Class	2016-2017 Winter COG	2016-2017 Winter Maximum COG	2016-2017 Winter FPO	2017 Summer COG	2017 Summer Maximum COG
Residential	\$0.7162	\$0.8953	\$0.7268	\$0.4368	\$0.5460
C&I High Winter Use	\$0.7121	\$0.8901		\$0.4206	\$0.5258
C&I Low Winter Use	\$0.7305	\$0.9131		\$0.4574	\$0.5718

and it is

FURTHER ORDERED, that Liberty 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 day 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 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

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's proposed LDAC per therm rates for the period November 1, 2016, through December 31, 2016, effective for service rendered on or after November 1, 2016, are as follows:

Residential	\$0.0553
C&I	\$0.0370

and it is

FURTHER ORDERED, that Liberty's proposed LDAC per therm rates effective January 1, 2017, are to include the LRAM, effective for service rendered on or after January 1, 2017, as follows:

Residential	\$0.0640
C&I	\$0.0450

and it is

FURTHER ORDERED, that Liberty's proposed firm transportation winter COG rate of \$0.0006 per therm for the period November 1, 2016, through April 30, 2017, is approved; and it is

FURTHER ORDERED, that Liberty's proposed supplier balancing charge of \$0.23 per MMBtu of daily imbalance volumes is approved; and it is

FURTHER ORDERED, that Liberty's proposed transportation peaking service demand charge of \$11.39 per MMBtu of peak maximum daily quantity is approved; and it is

FURTHER ORDERED, that Liberty's company gas allowance factor of 2.5 percent is approved; and it is

FURTHER ORDERED, that Liberty's proposed transportation capacity allocators as filed in proposed Second Revised Page 144, Superseding First Revised Page 144 are approved; and it is

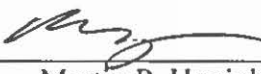
FURTHER ORDERED, that Liberty's proposed short-term debt limits of \$19,066,764 for fuel financing and \$69,611,416 for non-fuel financing for the period November 1, 2016 through October 31, 2017, are approved; and it is

FURTHER ORDERED, that Liberty shall promptly 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; and it is

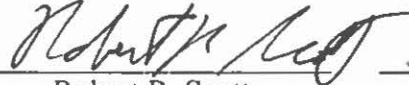
FURTHER ORDERED, that Liberty shall file its proposed notice of rate change to customers with the Director of the Consumer Services and External Affairs Division which office shall approve the notice to be submitted by Liberty prior to delivery to its customers; and it is

FURTHER ORDERED, that Liberty is authorized pursuant to RSA 378:3 and 374:2 to modify its COG Adjustment Clause and tariff as outlined in its revised tariff pages and to make a single COG filing.

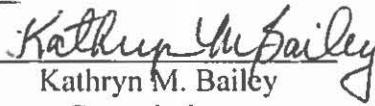
By order of the Public Utilities Commission of New Hampshire this twenty-sixth day of
October 2016.



Martin P. Honigberg
Chairman

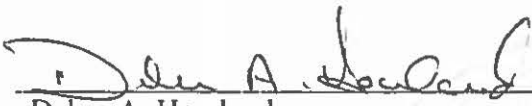


Robert R. Scott
Commissioner



Kathryn M. Bailey
Commissioner

Attested by:



Debra A. Howland
Executive Director

SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED

Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.

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