

STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE: January 4, 2018

AT (OFFICE): NHPUC

FROM: Randy Knepper, Director of Safety



SUBJECT: DG 17-200 Petition for Temporary Waiver of Puc 506. 03, On-Site Storage Requirements
Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities
STAFF RECOMMENDATION

TO: Debra Howland, Executive Director
Stephen Frink, Assistant Director of Gas and Water
Alex Speidel, Hearings Examiner, Legal Division
Al-Azad Iqbal, Utility Analyst, Gas and Water

Staff has completed its review of the Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities ("Liberty" or "Company") Petition for Temporary Waiver of Puc 506.03, related to the On-Site (Peakshaving) Storage requirement, as filed on December 29, 2017.

Staff performed preliminary analysis and issued limited questions to the Company related to this request. A conference call was convened on January 2, 2018, to discuss the petition and provide some additional Company's responses to Staff questions related to the petition for temporary waiver.

Staff recommends approval of the Motion for Waiver of Puc 506.03, with conditions, based on the following facts:

1. The Company had maintained and is required to maintain on-site storage inventory throughout the winter period at or above the required minimum 123,923MMBtU in accordance with Puc 506.03.
2. This amount was filed by the Company with the Safety Division in accordance with Puc 509.16 on Sept 28, 2017.
3. The daily natural gas spot market price in New England has experienced both significant highs and extreme volatility in the last week of December and to date in January 2018.
4. The average inventory prices of the Company's on-site propane and LNG resources are quite favorable to the daily spot market pipeline supply alternatives on the coldest days of this winter period. The onsite delivered price of liquids through January 2, 2018 has

resulted in an estimated savings of greater than \$300,000 in gas supply costs occurring between the last week in December 2017 through January 2, 2018. The savings are expected to increase for continued record cold in early January.

5. The availability of firm pipeline resources to meet the Company's system demand has not been restricted, although Operational Flow Orders have been issued for the TGP Pipeline.
6. Granting the waiver will reduce the storage requirement by 61,962 MMBtu (50%) between now and February 1, which is the time period Liberty is seeking.
7. Between February 1 and February 15, Liberty will continue to have onsite storage of the original 123,923 MMBtu. This will favorably position Liberty for a second cold snap if that were to occur.
8. The requirement automatically drops to 75% of the initial volume or 92,942 MMBtu on February 15.
9. The Company has an LNG (liquids) refill contract with GDF Suez and will continue utilization of its LNG facilities to meet its pipeline balancing and system supply requirements and has LPG contracts with LP transporters.
10. These small changes in on-site inventory will have a minimal impact on the reliability or operation of the Company's system and will allow the Company to mitigate some of its exposure to the higher prices of natural gas pipeline supplies associated with the record 7 day historical temperatures in New Hampshire.
11. The 7 day temperatures will exceed historic numbers of 2004 by approximately 10% and Liberty is not required to have on site storage for the 10% increase. Going forward, future requirements will include the 7 day period from December 2017 through January 2018.

Staff recommends the Commission impose two conditions if it grants the waiver.

First, affirm that the waiver only applies through February 1, 2018 as the Company requested, and will not be considered a precedent for future years.

Second, the Company keep an accounting of each day these resources are used to displace higher priced pipeline supplies, the quantities that are used, the resulting cost savings determined using the closing day spot market price for delivered pipeline supplies for the volumes of the liquids used less compared to alternative supplemental liquids delivered price of equivalent amounts into Liberty's system. The Company shall make available to the Staff upon request the spreadsheets that show the ultimate cost savings achieved and the derivation.

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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Docket #: 17-200-1 Printed: January 04, 2018

FILING INSTRUCTIONS:

- a) Pursuant to N.H. Admin Rule Puc 203.02 (a), with the exception of Discovery, file 7 copies, as well as an electronic copy, of all documents including cover letter with:
- DEBRA A HOWLAND
EXECUTIVE DIRECTOR
NHPUC
21 S. FRUIT ST, SUITE 10
CONCORD NH 03301-2429
- b) Serve an electronic copy with each person identified on the Commission's service list and with the Office of Consumer Advocate.
- c) Serve a written copy on each person on the service list not able to receive electronic mail.