

# STATE OF NEW HAMPSHIRE

Inter-Department Communication

NHPUC 9MAR17PM2:51

DATE: March 9, 2017  
AT (OFFICE): NHPUC

**FROM:** Stephen Frink <sup>SF</sup>  
Assistant Director – Gas & Water Division  
Alexander Speidel  
Staff Attorney

**SUBJECT:** DG 14-091  
Liberty Utilities  
Amended Special Contract with iNATGAS

**TO:** Commissioners  
Docket File  
Service List

## SUMMARY OF STAFF RECOMMENDATION

The amendments to the Special Contract are consistent with the intent of the Special Contract approved by the Commission and the Amended Special Contract should be approved.

## BACKGROUND

On January 5, 2017 Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty (Liberty) filed a request for Commission approval of Amendment to the Special Contract between Liberty and Innovative Natural Gas, LLC d/b/a iNATGAS (iNATGAS) approved in Order 25,694, dated July 15, 2014. The filing included the *Amendment to Special Contract – Natural Gas – Firm Transportation* (Amendment) and a Technical Statement of William J. Clark explaining the circumstances surrounding the Amendment.

The Technical Statement explains four issues with the Special Contract that are addressed by the Amendment.

First, the precise commencement date was not known when the contract was entered into, and now that the meter to serve iNATGAS has been turned on, the service commencement date is known and included in the Amendment.

Second, the five year take-or-pay requirement in the Special Contract is for 300,000 dekatherms (Dth) for the first two years, 500,000 the following two years and 1,300,000 in year five, with the 300,000 Dth take-or-pay requirement to begin on the service

commencement date and ending after two years, but not to extend beyond December 31, 2016. As the service commencement date is December 1, 2016, under the terms of the Special Contract the first take-or-pay requirement would end after one month. The Amendment allows for the first take-or-pay requirement to run the full 24 months by deleting the December 31, 2016 restriction.

Third, the Amendment adds a clause to affirmatively state that iNATGAS is responsible to pay a customer charge but no charges related to the Local Delivery Adjustment Clause (LDAC).

Fourth, the Amendment updates the contact information for Liberty Utilities, which has changed since the contract was entered into.

## **INVESTIGATION**

Staff reviewed the Technical Statement and the record in the Docket, including the transcript from the final hearing held on June 10, 2014 and the order approving the Special Contract.

## **FINDINGS**

The first and fourth issues addressed by the Amendment are factual and simply update contract.

The second issue addressed by the Amendment regards the must-take requirements and is consistent with the intent of the contract as evidenced by the language in the Order cited in Liberty's Technical Statement. In addition to the Order language cited by Liberty, the Commissioner Analysis states (Order pages 8-9): 'Although the level of risk to Liberty associated with this project may be higher than normal because the thermal CNG market is in its infancy and there are a finite number of potential customers, those risks are mitigated through the 'must-take' provision of the special contract...' The 'must-take' provisions reference in the order were for five years and the Special Contract language not allowing for the first take-or-pay provision to extend beyond December 31, 2016 was not expected be a factor, as Liberty testified that operations were anticipated to commence in November 2014 (transcript p. 23, lines 17-18).

The third issue addressed by the Amendment adds language to clarify that iNATGAS will pay the applicable customer charge but will not pay the LDAC charge. The added language is consistent with what is in the record, as testified to at the hearing on the merits.

Transcript p. 25, lines 6-8, Liberty witness William Clark referring to iNATGAS: "They will pay the G-54 meter charge, the cost of gas for the G-54, our Special Contract distribution charge, but not the LDAC."

Transcript p. 108, line 1, Staff witness Stephen Frink referring to iNATGAS: "They will not pay the LDAC..."

**STAFF RECOMMENDATIONS**

The Amendment is consistent with the intent of the Special Contract and supported by the record in the docket and should be approved by Commission as required pursuant to Puc 1606.03(f).

Staff notes that the amendments to the Special Contract were made, and took effect, BEFORE approval was sought from the Commission, and would expect that future such amendments to the Company's Special Contracts are filed for approval in advance of their effective dates.

**SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED**

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Executive.Director@puc.nh.gov  
al-azad.iqbal@puc.nh.gov  
alexander.speidel@puc.nh.gov  
amanda.noonan@puc.nh.gov  
james.brennan@oca.nh.gov  
john.clifford@puc.nh.gov  
jpfenning@ngadvantage.com  
mark.naylor@puc.nh.gov  
michael.sheehan@libertyutilities.com  
mpuffer@preti.com  
mriley@cleanenergyfuels.com  
ocalitigation@oca.nh.gov  
pbrown@preti.com  
psegaloff@globalp.com  
randy.knepper@puc.nh.gov  
robert.wyatt@puc.nh.gov  
sarah.knowlton@libertyutilities.com  
Stephen.Eckberg@puc.nh.gov  
Stephen.Hall@libertyutilities.com  
steve.frink@puc.nh.gov

Docket #: 14-091-1 Printed: March 09, 2017

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