

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 16-315

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

2016 Summer Period Cost of Gas Adjustment

Order Approving Cost of Gas Rates

ORDER NO. 25,884

April 21, 2016

APPEARANCES: Michael J. Sheehan, Esq., for Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities; Donald M. Kreis, Esq., of the Office of the Consumer Advocate, on behalf of residential ratepayers; and Rorie E. Patterson, Esq., for the Staff of the Public Utilities Commission.

In this order, we approve Liberty's proposed 2016 Summer Period Cost of Gas rates including a residential rate of \$0.4117 per therm. The new rate will increase the cost of gas portion of a residential customer's bill for the six month summer period by \$12. When combined with other rate changes that have been implemented since last summer, the 2016 summer total bill is expected to increase by approximately \$29.50, or 12.7%, compared to a total bill during the summer of 2015.

I. PROCEDURAL HISTORY

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities ("Liberty"), is a public utility distributing natural gas in 28 cities and towns in southern and central New Hampshire and in the city of Berlin. On March 16, 2016, Liberty filed proposed rate adjustments pursuant to the cost of gas ("COG") clause in its tariff for the period May 1 through October 31, 2016. The filing included the direct testimony and supporting schedules of Francisco C. Dafonte

and David B. Simek. Exhibits 1 and 2.¹ Liberty also filed a request for confidential treatment of some portions of its filing pursuant to N.H. Code of Admin. Rules Puc 201. Liberty's filing and subsequent docket entries, other than any 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/2016/16-315.html>.

The Commission issued an order of notice scheduling a hearing for April 11, 2016. The Office of the Consumer Advocate (OCA) notified the Commission of its participation on behalf of residential ratepayers pursuant to RSA 363:28. There were no intervenors. The hearing was held as scheduled at which Liberty's witnesses corrected and adopted their pre-filed testimony and provided additional live testimony.

II. COST OF GAS ADJUSTMENT MECHANISM

The cost of gas adjustment mechanism was implemented in 1974 during an era of rapidly changing prices to provide a way to pass on to customers immediately any price increases and decreases in supply costs without having to go through an extended proceeding to change delivery rates. Supply costs make up approximately 70% of a residential heating customer's annual bill and consist primarily of commodity prices (the cost of the natural gas itself), the cost to transport the gas over the pipelines, and storage costs. The Company has no control over the price of natural gas, which is an unregulated commodity, or over pipeline transportation rates, which are set by the Federal Energy Regulatory Commission. The COG mechanism allows the Company to pass those costs directly to customers, but prohibits any mark-up of, or profit on, those costs. The costs of gas purchased, transported, and stored during the summer to meet winter demand are recovered through winter rates. COG rates are initially set using projected

¹ Exhibit 1 is the confidential version of Liberty's filing. Exhibit 2 is a copy of the same document redacted to protect those sections for which the company sought confidential treatment pursuant to N.H. Code of Admin. Rules Puc 201.06.

costs and sales for the upcoming summer or winter period. The Commission authorized the Company to adjust COG rates monthly, upward to a limit of 25%, or downward in any amount, to take into account changes in the natural gas market, based on actual costs to the date of the adjustment and projected costs for the remainder of the period in Order No. 24,963 (April 30, 2009).

All supply costs and revenues are reconciled semi-annually. During each summer COG rate proceeding, the Commission reconciles the actual costs and revenues from the prior summer period. Likewise, during each winter COG proceeding, the Commission reconciles the actual costs and revenues of the prior winter. The results of the reconciliations are reflected in the COG rate going forward. A more detailed description of supply costs and how rates are set can be found on the Commission website at <http://www.puc.nh.gov/Gas-Steam/howgasratesareset.htm>.

Another rate the Commission sets within the context of COG proceedings is the local delivery adjustment charge (“LDAC”).² The LDAC allows for recovery of expenses the Commission has approved in prior dockets through a per therm surcharge set in a COG proceeding. Those expenses include costs associated with the Company’s low-income financial assistance and energy efficiency programs, environmental remediation related to manufactured gas plants, and costs related to distribution rate cases such as rate case expenses and reconciliation of temporary and permanent rates. The expenses approved for recovery and revenues collected through the surcharge are reconciled and future rates are adjusted accordingly. The Commission typically reviews and adjusts the LDAC during the winter COG proceeding, although the LDAC may be adjusted during the summer period as well.

² Referred to as “Local Delivery Adjustment Clause” in Liberty Utilities Tariff NHPUC No. 8.

III. POSITIONS OF THE PARTIES

A. Liberty

Liberty proposed residential, commercial/industrial (“C&I”) high winter use, and C&I low winter use, summer COG per-therm rates of \$0.4117, \$0.3976, and \$0.4415, respectively.³ The following table compares the expected bill impact based on last summer’s average use of those customer classes. The table also reflects an increase in the LDAC approved in Order No. 25,833 (October 30, 2015), and delivery rates approved in Order No. 25,797 (June 26, 2015).

Bill Impacts Based on Average Usage in Dollars over 6 month Summer Period					
Class	Charge	2015	2016	Change	% Change
R-3 Residential Heating	COG	51	63	12	24%
	LDAC	13	16	3	20%
	Delivery	169	183	15	9%
	Total	233	263	30	13%
G-42 C&I Medium Annual High Winter	COG	1,423	1,629	206	14%
	LDAC	297	281	(16)	-5%
	Delivery	2,097	2,053	(44)	-2%
	Total	3,817	3,963	146	4%
G-52 C&I Medium Annual Low Winter	COG	1,610	2,348	738	46%
	LDAC	387	364	(22)	-6%
	Delivery	1,625	1,648	23	1%
	Total	3,622	4,360	738	20%

Reasons for the Increase in the COG Rates. Mr. Simek testified that the proposed cost of gas is \$0.1045 per therm higher than the initial rate approved by the Commission for the 2015 summer period. Exhibit 1 at 18. Mr. Simek explained that this increase is primarily due to the \$2,238,556 difference between the current under collection and interest balance of \$997,956 and the 2014 summer period over collection and interest balance of \$1,240,600. *Id.* Mr. Simek

³ The C&I “high winter” and “low winter” COG rates reflect the cost differential to serve those customer classes as determined through a Market Based Allocation COG analysis that established ratios to be used in setting summer and winter COG rates.

further explained that the current under collection is primarily due to lower than normal sales and the timing of some accounting adjustments that moved credits from the summer period to the winter period. *Id.* at 19. Liberty did not propose any changes to its LDAC.

Supply Reliability. Mr. Dafonte testified that Liberty's portfolio of transportation contracts has not changed since the Company submitted its 2015 summer period cost of gas filing. Exhibit 1 at 6. Liberty has firm capacity on various pipelines to receive up to 107,883 decatherms per day. Exhibit 1 at 3-5. Liberty stated that it continues to own LNG and propane facilities in Amherst, Concord, Manchester, Nashua, and Tilton. *Id.* at 8-9.

Notice to Customers. At the hearing, the Company committed to filing its notice to customers of the rate change with the Commission's Consumer Services and External Affairs Division.

B. OCA

The OCA stated at the hearing that it does not object to the proposed COG rates.

C. Staff

Staff stated that it supports Liberty's proposed COG rates for the 2016 summer period.

IV. COMMISSION ANALYSIS

The Commission has broad statutory authority to set rates in addition to "powers inherent within its broad grant" of express statutory authority. *Appeal of Verizon New England, Inc.*, 153 N.H. 50, 64, 64-65 (2005) (citations omitted). The Commission applies the "just and reasonable" ratemaking standard of RSA 374:2 and RSA 378:7 when setting COG rates. *Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities*, Order No. 25,658 (April 30, 2014). Based on our review of the record in this docket, we approve the proposed 2016 summer period COG rates as just and reasonable. The Company shall notify its customers of the rate

changes in writing, in a form acceptable to the Commission’s Consumer Services and External Affairs Division.

We note that 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 is needed, and upward by no more than 25%, without further Commission action.

Based upon the foregoing, it is hereby

ORDERED, that Liberty’s 2016 summer period COG rates, for May 1, 2016, through October 31, 2016, are APPROVED as set forth in this Order, effective for service rendered on or after May 1, 2016, as follows:

Customer Class	2016 Summer Cost of Gas	2016 Summer Maximum COG
Residential	\$0.4117	\$0.5146
C&I, high winter use	\$0.3976	\$0.4970
C&I, low winter use	\$0.4415	\$0.5519

and it is

FURTHER ORDERED, that Liberty may, without further Commission action, adjust the COG rates based upon the projected over- or under-collection for the period, the adjusted rate to be effective the first of the month and not to exceed, cumulatively, a maximum rate of 25% 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 month. Liberty shall include revised tariff page 77, Calculation of Cost of Gas Adjustment, and

revised rate schedules under separate cover letter if Liberty elects to adjust the COG rates, with revised tariff pages to be filed as required by N.H. Code Admin. Rules Puc 1603; and it is

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

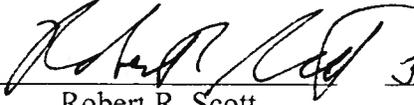
FURTHER ORDERED, that Liberty shall file its proposed notice to customers of the rate changes for approval by the Commission's Consumer Services and External Affairs Division no later than 10 days from the issuance date of this Order.

FURTHER ORDERED, that Liberty shall file properly annotated tariff pages in compliance with the Order no later than 15 days from the issuance date of this Order, as required by N.H. Admin Rules, Puc 1603.

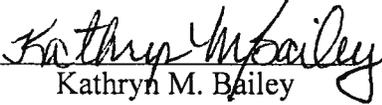
By order of the Public Utilities Commission of New Hampshire this twenty-first day of April, 2016.



Martin P. Honigberg
Chairman

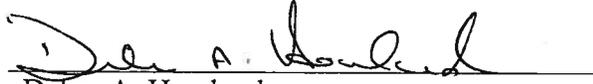


Robert R. Scott
Commissioner



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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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
EXEC 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.**