

**STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION**

**Docket No. DG 22-045
Liberty Utilities (Energy North Natural Gas) Corp. d/b/a Liberty
Winter 2022-2023 and Summer 2023 Cost of Gas**

Technical Statement of Faisal Deen Arif, Gas Director
Department of Energy, Division of Regulatory Support

October 21, 2022

The New Hampshire Department of Energy (DOE) recommends that the Commission review and approve winter rates to be effective November 1, 2022, in this docket. In contrast, the DOE recommends that the Commission defer approval of the summer rates at this time. The DOE recommends that Liberty Utilities (Energy North Natural Gas) Corp. d/b/a Liberty (“Liberty” or “the Company”) file updated summer cost of gas testimony, schedules and tariff pages (based on the current filing) on or about March 15, 2022. The DOE makes this recommendation for the reasons stated below.

The DOE is making this statement to provide the Commission with information and a framework for understanding DOE’s position in advance of the cost of gas (COG) hearing scheduled for October 25, 2022 at 9:00 a.m. This statement is also responsive to a request from the Company for further information about the position Director Deen Arif will take.

Background

This docket has been eventful, even for an expedited COG docket. In support, the Department notes that the Company has made two initial filings in this docket — an LDAC filing on August 2, 2022 and a cost of gas (supply) filing on September 2. The Company has made two supplemental filings — a September 1, 2022 Supplemental LDAC filing, and an October 7, 2022 Supplemental filing (LDAC and COG). These supplemental filings are in addition to the Company responding to three sets of DOE data requests. The DOE also filed a motion to carve out a revenue decoupling adjustment factor (RDAF) matter and a Gas Holder matter from the LDAC because they were too complex to resolve in the COG. The Commission granted the DOE’s request, including the request to remove associated costs pending review. *See* Order No. 26,692 (September 29, 2022).

DOE Analysis

The DOE recommends that approval of the summer rates be deferred, at this time, and that summer rate information be updated mid-March for the following reasons:

- Energy markets are volatile and have been for some time. NYMEX projection for the Summer Period (May 1, 2023-October 31, 2023) were based on NYMEX data envisions a period that is eight to twelve months away. The more remote the period, the greater the potential deviation from the actual market rates.

- Summer rates are particularly sensitive to NYMEX variations since EnergyNorth does not hedge, i.e., it does not purchase gas in advance for the summer period.
- In the current volatile period and given that Liberty requested and received a mid-season summer COG adjustment to increase the maximum rate above the standard 25% threshold in Docket No. 21-130, it is administratively efficient to defer approval, subject to an updated Summer 2023 rate filing in March. This may avoid another mid-season COG filing. *See* DG 21-130 (rates suspended three months following mid-season COG filing).
- The prior period Summer 2022 reconciliation must be based on estimated (not actual data) for half the period: August 2022- October 2022. The Company's updated filing would have actual data for the final three months of Summer 2022, resulting in more accurate information and reconciliation for consecutive Summer periods.
- Other jurisdictions, such as Maine, continue to have separate winter and summer COG proceedings.
- DOE is not attempting to "turn back the clock" and completely separate the Company's winter and summer COG filings. It is appropriate that the bulk of the work and analysis continue in the initial filing, with the modification that summer rates are updated before being approved, effective May 1. This would allow the Commission and the Department to take more accurate and updated information into account, resulting in approved rates that are likely to have less deviation from the realized market rates.
- Trigger filings are seasonal. Trigger filings, whereby the Company updates the parties and the Commission with regard to its current calculation of projected over or under-collection of gas costs for the Winter or Summer season, and may adjust the rates to a maximum of 25% or as low as needed, are only filed five business days before the first of the month. *See* DG 21-130 Company letter filed April 25, 2022. (increasing the COG the maximum 25% in light of a projected under collection of \$13,746,530, which was 64.79% of the total revised anticipated gas costs for the 2022 summer season). [21-130 2022-04-25 ENGI CVR-LTR-MAY-COG-ADJ-TARIFF-PGS.PDF \(nh.gov\)](#).
- Neither the DOE, or other stakeholders, have any input into whether the Company uses a trigger filing to raise or lower rates. Neither is there a ready mechanism to require the Company and stakeholders to engage in discussion in advance of the May 1, effective date prior to the end-of-April trigger filing. Deferred approval of summer rates would create such an opportunity for other parties and for the Commission.

DOE Recommendation

The DOE recommends that the Commission review and approve winter rates to be effective November 1, 2022, in this docket. The Department recommends that the Commission defer approval of the summer rates at this time. The DOE recommends that Liberty file updated summer COG testimony, schedules and tariff pages (based on the current filing) on or about March 15, 2022. Thereafter, DOE may engage in discovery, if appropriate, may file a recommendation into the docket, or may request a hearing, subject to Commission review and approval of rates to be effective May 1.