

**STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

**DG 23-034**

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

**2023 Summer Period Cost of Gas Adjustment**

**Order Establishing Cost of Gas Rates**

**ORDER NO. 26,807**

**April 25, 2023**

In this order, the Commission approves the 2023 summer cost of gas rate proposed by Liberty Utilities (EnergyNorth Natural Gas) Corp., d/b/a Liberty Keene Division (Liberty Keene). The new cost of gas rate is \$1.4795 per therm and it is expected to decrease a typical residential customer's overall bill for the six-month summer 2023 period (May through October) by approximately \$36 or 13 percent when compared to the same period in 2022.

Gas commodity costs incurred by Liberty-Keene in making purchases to serve its customers are passed through without a markup in the COG tariff rates. The Commission does not administratively set the prices offered by wholesale gas suppliers or ancillary service providers to serve Liberty Keene's customer load. These prices are set by the suppliers and service providers themselves, informed by prevailing market conditions, where Liberty Keene endeavors to procure a reliable gas supply at the lowest cost. The Commission oversees this procurement process as part of this proceeding and approves the resultant rates under the governing statutory standards.

**I. PROCEDURAL HISTORY AND BACKGROUND**

Liberty Utilities (EnergyNorth Natural Gas) Corp., d/b/a Liberty operates two gas divisions in New Hampshire, its EnergyNorth Division and its Keene Division.

Liberty Keene serves the city of Keene, distributing either propane air gas or compressed natural gas to approximately 1,200 customers.

On March 20, 2023, Liberty Keene filed its proposed cost of gas (COG) rates for the summer period, May 1 through October 31, 2023. Liberty-Keene's filing consisted of the pre-filed direct testimony of Deborah Gilbertson, Senior Manager Energy Procurement and James King, Rates Analyst II, supporting schedules, and other attachments.

On March 23, 2023, the Commission issued a notice of adjudicative proceeding, and scheduled both a prehearing conference and a final hearing on Liberty's proposed summer COG rate adjustments.

The Department of Energy (DOE) filed a notice of appearance, and the Office of the Consumer Advocate filed a letter of participation. There were no other intervenors.

A duly noticed hearing was held on April 18, 2023. Liberty and the DOE appeared. At the hearing, Liberty-Keene's witnesses adopted their pre-filed testimony and provided additional live testimony. The DOE also offered a witness, Faisal Deen Arif, Director, DOE Gas Division, who provided live testimony. Without objection, the Commission admitted exhibits 1 through 9 into the record, which consisted of confidential and redacted versions of Liberty-Keene's pre-filed direct testimony and attachments, the DOE's audit report on the reconciliation of the summer 2022 COG rates, revised schedules, Liberty's responses to DOE Data Requests and attachments, and illustrative tariff pages. Both Liberty Keene and the DOE supported the proposed COG rates as just and reasonable.

This filing and subsequent docket entries, other than any information for which confidential treatment is requested of or granted by the Commission, are posted at

<https://www.puc.nh.gov/Regulatory/Docketbk/2023/23-034.html>.

## II. COST OF GAS ADJUSTMENT MECHANISM

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, 64-65 (2005) (citations omitted). The Commission applies the “just and reasonable” ratemaking standard of RSA 374:2 and RSA 378:7 when considering COG rate adjustments. *Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities*, Order No. 26,188 at 7 (November 1, 2018).

The cost of gas mechanism was implemented in 1974 during an era of rapidly-changing prices to provide a way to quickly pass on to customers any market price increases and decreases in supply costs, without having to go through an extended proceeding to change delivery rates. Supply costs consist primarily of commodity prices (the cost of the propane or compressed natural gas itself) and the cost to transport the gases. The Liberty-Keene COG rate blends the costs of the propane and compressed natural gas, and allows Liberty to recover one-half of incrementally higher compressed natural gas supply costs as compared to the propane supply cost. See Order No. 26,505 at 7 (July 30, 2021).

The costs associated with these commodities and transportation are largely unregulated and market based. The COG mechanism allows the Company to pass market costs through to customers directly, but prohibits any mark-up or profit. COG rates are initially set by the Company using projected commodity costs and sales for the upcoming summer or winter period. The Company may adjust COG rates monthly, based on actual costs to date and projected costs for the remainder of the period, to take into account changes in the propane and compressed natural gas markets. Under the adjustment provision, rates may go up no more than 25 percent on a

cumulative basis over the summer period, however, costs may go down as far as necessary to account for declining market costs.

Liberty Keene also reports on the status of its hedging activities under its propane purchasing stabilization plan at its COG proceedings. See Order No. 24,745 (April 27, 2007). Liberty-Keene reported that the cost of the pre-purchased propane was 13.4 percent higher than the average representative spot prices for the first four months of the current winter period, reflecting a decrease in spot propane prices over the pre-purchased volumes. At hearing, Liberty-Keene addressed Commissioner questions regarding discretion in implementation of the program amidst current market conditions.

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.

### **III. COMMISSION ANALYSIS**

Based on our review of the record, including live testimony and exhibits, we find that the proposed initial 2023 summer COG rate of \$1.4795 per therm to be just and reasonable under RSA 374:2 and RSA 378:7. The rate appears to have been calculated in a manner consistent with past practice, based on market commodity rates and the reconciliation of the 2022 summer COG actual costs following the DOE's audit of those costs.

We note that, pursuant to *New Hampshire Gas Corp.*, Order No. 24,962 (April 30, 2009), the approved rate may be adjusted monthly without further Commission action in order to eliminate or reduce projected over- or under-recoveries in a timely

and efficient manner. *Id.* at 5-10. The rate may increase by no more than 25 percent of the approved rate and may decrease so far as is needed. *Id.* at 6-10.

**Based upon the foregoing, it is hereby**

**ORDERED**, that Liberty-Keene's proposed summer 2023 COG rate of \$1.4795 per therm for the period of May 1, 2023 through October 31, 2023 is APPROVED, effective for service rendered on or after May 1, 2023, for residential, and commercial and industrial, customer classes; and it is

**FURTHER ORDERED**, that a maximum summer 2023 COG rate of \$1.8494 per therm for the period of May 1, 2023 through October 31, 2023 is APPROVED; and it is

**FURTHER ORDERED**, that Liberty-Keene may, without further Commission action, adjust its approved 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 a maximum rate of 25 percent above the approved rate identified above, with no limitations on reductions to the COG rates; and it is

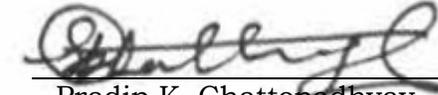
**FURTHER ORDERED**, that Liberty-Keene shall provide the Commission with its monthly calculation of the projected over- or under-collection, along with the resulting revised COG rate for the subsequent month, not less than five business days prior to the first day of the subsequent month. Liberty-Keene shall include revised Calculation of the Firm Sales Cost of Gas Rate annotated tariff pages and revised rate schedules under separate cover letter if Liberty-Keene elects to adjust COG rates, with revised annotated tariff pages to be filed; 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 each month; and it is

**FURTHER ORDERED**, that Liberty-Keene shall file properly annotated tariff pages in compliance with this order, as required by N.H. Code Admin. Rules Puc 1603, no later than 15 days from the issuance of this order, or May 10, 2023; and it is

By order of the Public Utilities Commission of New Hampshire this twenty-fifth day of April, 2023.

  
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Daniel C. Goldner  
Chairman

  
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Pradip K. Chattopadhyay  
Commissioner

# Service List - Docket Related

Docket#: 23-034

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