STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILIITES COMMISSION

Docket No. DG 23-076
Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty
Winter 2023-2024 and Summer Cost of Gas and LDAC Filing
(Re: Authorizing Lump-sum Credits to Customers due to Over-collection during Summer 2023)

Technical Statement of
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August 29, 2024

The New Hampshire Department of Energy ("DOE" or the "Department") submits this position statement in compliance with the Public Utilities Commission ("PUC" or the "Commission") Procedural Order dated August 6, 2024, in Docket No. DG 23-076. The purpose of this statement is to provide the Commission with DOE's position on *Liberty Utilities (EnergyNorth Natural Gas) d/b/a Liberty's Assented-to Petition to Authorize Lump Sum Credit to Customers* (August 2, 2024) in advance of the hearing scheduled for September 26, 2024 at 9:00 a.m. *See* Procedural Order re: Position Statements and Scheduling Hearing (August 6, 2024).

As explained below, after review and analysis, the DOE recommends that the Commission approve the Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty ("Liberty") request to provide refunds to Summer 2023 customers that contributed to a large over-collection balance accumulated during the Summer 2023 period due to the Company's accounting error(s).

This technical statement includes the following sections:

I. Background
II. Options Explored by the Parties
III. DOE Analysis
IV. Billing Language
V. DOE Recommendation

I. Background

As the Company explained in its petition, in March 2023, to allocate gas costs between the summer and winter Cost of Gas ("COG") deferral accounts, Liberty Utilities made an adjustment of $6.1 million that was booked incorrectly between the two accounts. The $6.1 million in costs were attributable to the winter period but were booked to the summer period deferral account. This resulted in an increased under-collection in the summer deferral account instead of a decreased under-collection. As a result, the rates billed during the Summer 2023 period were higher than they should have been, since the Company subsequently increased the COG rates throughout the Summer 2023 period through the approved "trigger" filing process in an attempt to reduce what it then-understood was a significant under-collection in the summer deferral account.

The Company's accounting error was identified and corrected in October 2023, on the eve of the Winter 2023 COG hearing. This shifted the summer deferral account balance from a large under-collection to a large over-collection well after the time frame when the monthly rate adjustment, or trigger filings, could have reduced the overcollection as trigger filings are designed to do. In order to address the magnitude of its error, the Company's corrected COG rate filing decreased the proposed Summer 2024 COG rate to $0.0187/therm for residential customers (and similarly low rates for the commercial classes[1]). *See Liberty's Updated Winter 2023-2024 and Summer 2024 Cost of Gas Filing* (October 23, 2023); *Department's Technical Statement of Amanda Noonan* (October 26, 2023); *Department's Technical Statement of Faisal Deen Arif and Ashraful Alam* (October 26, 2023) and *Liberty's Updated Winter 2023-2024 and Summer 2024 Cost of Gas Filing Marked as Exhibits 9 and 10* (October 27, 2023. The Summer 2024 COG rate of $0.0187 per therm for residential customers was approved by the NHPUC by Order No. 26,898 on October 31, 2023.

The Company has explained that in October 2023 it underestimated the size of the summer deferral balance. Between November 1, 2023 and April 30, 2024, the summer deferral grew from the projected overcollection of $4.4 million to an actual over-collection of $10.1 million.

On May 1, 2024, the beginning of the Summer 2024 COG period, Liberty placed the approved initial Summer COG rate of $0.0187/therm into effect without any adjustment. The Company also initiated discussions with the other parties to this docket on or about that time. The Company has maintained this initial rate for June through August and as discussed below,

[1] The approved low load factor (G-41, G-42, G-43) and high load factor (G-51, G-52, G-53, G-54) commercial rates were $0.0181/therm and $0.0193/therm, respectively.

proposes to do so for the duration of the Summer 2024 period. *See Liberty's Assented-To Petition to Authorize Lump Sum Credit to Customers* at 3, para 7. The Company estimates that the summer over-collection balance will be reduced by about half at the conclusion of the current Summer 2024 period, which means that absent further action, only half of the over-collection balance would be refunded by October 2024 at the approved rates. *See id.* at 3, para 7-8.

Beginning in late May 2024, the Department, the Office of Consumer Advocate ("OCA"), and the Company engaged in several discussion sessions to discuss various options for refunding the over-collection balance to the affected customers in a fair, quick and equitable way.

II. Options Explored for Returning Approximately $5.8 M to Customers

Negative COG Rates

The Company's approved monthly trigger filing process to adjust the COG rates calculates the rate adjustment required to keep the projected ending balance as close to zero as possible, with updated pricing and gas sales data being factored in each month. As explained above, the Company underestimated the size of the Summer 2023 overcollection in late October 2023 and therefore on or about May 1, 2024, the Company concluded that the approved rates ($0.0187/therm) would only return half of the over-collection balance over the course of the Summer 2024 season. To return the full over-collection balance during the Summer of 2024, in the usual manner, the Company reported that a negative cost of gas would be needed. It estimated an initial Summer 2024 rate of approximately *negative $0.25* per therm would be necessary to refund the projected over-collection balance. Although this would have been the quickest way to refund the overcollection to the customers, the conclusion was reached that a negative COG would not be a good price signal to customers, and that it would distribute refunds without regard to the significant range in Summer 2023 usage and refunds due.

Generic Return to Customers by Rate Class

The Company's goal seemed to be to reduce the Summer over collection balance as soon as possible. In the course of the parties' discussions, the Company proposed that the over-collection balance could be generically returned to the customers by allocating the over-collection balance among the rate classes and by dividing those amounts by the number of customers in each rate class. However, this approach created concerns about maintaining equity within a rate class due to variations in usage (as rates vary with usage level in many C&I rate classes) and the magnitude of the remaining over collection. Accordingly, calculating a generic refund based on the number of customers did not meet the equity criterion within the rate classes, and the parties did not favor this option. The parties briefly contemplated rolling the Summer overcollection into the Winter period; however, this was also rejected due to the differences in usage between the periods and to maintain the integrity of each period reconciliation.

Customized Lump-sum Customer Bill Credit

Taking into consideration the significant difference among individual customers for commercial-industrial customer classes as well as residential customer classes regarding the size of the charges Liberty over-collected based on summer therm usage, the parties considered whether the over-collection balance of approximately $5.8 million could be reimbursed via an individualized lump-sum bill credit. The range of the credits to the Residential and C&I customers based on their Summer 2023 usage can be seen if the following table:

Table 1: Range of Credits to Different Rate Classes based on Summer 2023 Usage

Rate Classes	Minimum Credits	Maximum Credits
R-1	$ (0.35)	$ (360.15)
R-3	$ (0.35)	$ (1,028.89)
G-41	$ (0.35)	$ (4,423.18)
G-42	$ (0.40)	$ (25,402.43)
G-43	$ (56.22)	$ (70,717.73)
G-51	$ (0.35)	$ (2,287.95)
G-52	$ (1.41)	$ (13,587.31)
G-53	$ (428.53)	$ (30,223.72)
G-54	$ (48.32)	$ (43,249.51)

Although initially this did not seem technically feasible, the Company's billing system was able to calculate therm usage by individual customer for the Summer 2023 period. Considering the magnitude of the over collection due to Company's accounting error—approximately $10.1 million in total, the difference in summer therm usage for customers in the same class, and Company's reported ability to quickly implement the credit in September or October 2024, thus resolving the bulk of the overcollection, the DOE supports this option.

III. DOE Analysis (Company methodology explained)

Liberty has proposed in their petition that they will keep the approved rate of $0.0187 in effect for the remaining summer months because following the standard trigger filing process to fully return the over-collection would result in a negative cost of gas rate. The current rate will roughly cut in half the actual over-collection. Currently the Company projects a final and remaining over-collected balance of $5.8 million, based on the approved rate of $0.0187 staying in place through the end of the summer period (October 31, 2024).

The Company, with the Department and OCA's assent, proposes to return roughly $5.8 million through a lump sum on-bill credit to those customers from the Summer 2023 season, who remain current customers, based on their rate class and individual usage during that period. Customers who have joined since November 1, 2023, will not receive a lump sum credit. The credit calculation is based on only those customers who had activity in Summer 2023. Customers who had activity during Summer 2023 but have since moved out are unable to be refunded. Those customers are still factored into the allocation, but their portion will be allocated to the summer deferral account and incorporated into the Summer 2025 rates, inclusive of carrying charges. Customers that had gas service accounts but had no usage activity during Summer 2023 are removed as their calculated credit would result in $0.00 since it is based on their Summer 2023 usage. The number of current customers with Summer 2023 activity, customers with no activity during Summer 2023, and customers who moved out in each rate class are stated in the table below:

Table 2: Summer 2023 Number of Customers by Rate Class

Rate Classes	**Current customers with activity**	**Moved out**	**No activity**	**Total Customers**
R-1	2622	205	427	3,254
R-3	73387	2707	12620	88,714
G-41	7103	778	1058	8,939
G-42	705	24	48	777
G-43	30	1	1	32
G-51	846	67	96	1,009
G-52	178	11	14	203
G-53	7	2	1	10
G-54	5	1	1	7
Total Customers	**84,883**	**3,796**	**14,266**	**102,945**

The Company has stated that it will be able to provide a customer-specific on-bill credit representing each customer's share of the over collected amount. That is, the Company is reasonably able to return to the current customers the over-collected dollars that the customers over-paid last summer due to Liberty's accounting error(s). As the over-collected balance also includes interest, the customer credits will also include a proportionate share of the interest that has been accrued. The Company estimated the customer specific on bill credits in three steps.

Step-1

The Company allocated the projected remaining balance (projected credit allocation) of $5.8 million in the summer deferral balance at the end of the summer period, which includes accrued interest, to each rate class based on the Rate Class's respective Summer 2023 consumption. This was done because summer consumption of customers differs significantly between rate classes, depending on whether they are heating/high winter use customers or not. This calculation results in a total dollar amount to be refunded to the customers in each rate class, which can be seen in the following table:

Table 3: Summer 2023 Estimated Credits by Rate Class

Rate Classes	Summer 2023 Consumption (therms)	% of Total therms	Projected Credit Allocation
R-1	207,451	1.22%	$ (71,105.44)
R-3	9,333,390	54.76%	$ (3,199,086.33)
G-41	1,929,987	11.32%	$ (661,516.74)
G-42	1,846,801	10.83%	$ (633,004.28)
G-43	874,098	5.13%	$ (299,603.25)
G-51	979,807	5.75%	$ (335,835.97)
G-52	1,195,301	7.01%	$ (409,698.13)
G-53	433,967	2.55%	$ (148,745.28)
G-54	244,297	1.43%	$ (83,734.55)
Total	**17,045,098**	**100.00%**	**$ (5,842,329.97)**

Step-2

The Company reduced the projected credit amount allocated to each rate class in step 1 based on the move out rate[2] determined for each rate class. The reduction amount is called "the move out allocation balance"[3]. This amount (the move out allocation balance) is subtracted from

[2] For each rate class, the "move out rate" is calculated by dividing the total therm usage by the moved-out customers during Summer 2023 by the total Summer 2023 usage, and Total Summer 2023 usage = Total therm usage by the moved-out customers during Summer 2023 + Total therm usage by the existing customers during Summer 2023.

[3] The move out allocation balance is calculated by multiplying the projected credit allocation with the move out rate.

each rate class's projected credit allocation of the $5.8 million[4] to get the net credit allocation[5] for each rate class. This is demonstrated in the following table:

Table 4: Net Credit Allocated by Rate Class

Rate Classes	% of Consumption	Projected Credit Allocation	Move out Rate %	Move Out Allocation	Net Credit Allocation
R-1	1.22%	$(71,105.44)	8.10%	$(5,760.97)	$(65,344.47)
R-3	54.76%	$(3,199,086.33)	8.37%	$(267,815.88)	$(2,931,270.45)
G-41	11.32%	$(661,516.74)	4.72%	$(31,212.58)	$(630,304.16)
G-42	10.83%	$(633,004.28)	2.82%	$(17,855.78)	$(615,148.50)
G-43	5.13%	$(299,603.25)	0.09%	$(260.93)	$(299,342.32)
G-51	5.75%	$(335,835.97)	6.05%	$(20,322.58)	$(315,513.39)
G-52	7.01%	$(409,698.13)	3.03%	$(12,410.17)	$(397,287.96)
G-53	2.55%	$(148,745.28)	16.42%	$(24,425.39)	$(124,319.89)
G-54	1.43%	$(83,734.55)	2.13%	$(1,781.37)	$(81,953.18)
Total	**100.00%**	**$(5,842,329.97)**	**6.54%**	**$(381,845.65)**	**$(5,460,484.32)**

The portion attributable to customers who moved out (the move out allocation) is $381,845.65, which will remain in the summer deferral balance, inclusive of carrying charges, and will be rolled forward to the Summer 2025 period. The Company states that this balance will be treated as any normal over or under-collection in the account. This will be factored into the Summer 2025 cost of gas calculation.

Step-3

The Company allocated the net credit allocation of each rate class to each customer based on the customer's individual proportion of rate class therm consumption in Summer 2023. This distributes the net credit allocation among all existing customers proportionately based on their usage in Summer 2023. Each customer will receive a custom credit amount[6] based on how much they contributed to the over-collection balance during Summer 2023 period. The individual credit amounts can be seen in Column F on each of the rate class tabs of Attachment-1 (provided to DOE by Liberty)

[4] Projected October 2024 Ending Balance as of August 2024 trigger model
[5] Net Credit Allocation = Projected Credit Allocation - Move Out Allocation
[6] Custom Credit Amount = Net Credit Allocation * (Therm usage by the existing customer in Summer 2023 / Total therm usage by all existing customers in Summer 2023)

The numbers included in Attachment-1 are estimates. The Company and parties anticipate that the final refund amount will differ from the amounts shown in Attachment-1 based on the actual Summer 2024 usage and the resulting impact on the total Summer 2023 overcollection. The Company has explained that it will update the credit calculation with the most accurate dollar amounts and customer counts available before issuing the credits in September or October 2024, if approved by the Commission.

IV. Billing Language

The Company has provided the DOE with a proposed bill format and bill language for customers who receive the 2023 Summer credit. The Company proposes to add an additional 'Miscellaneous Adjustment' line at the end of the customer bills (page 3) with an additional message as follows:

> "A credit has been applied to your account to expedite customer refunds associated with the summer 2023 gas supply rates. If you have questions, please call 1-800-833-4200." *See*. Attachment-2 for the sample customer bill provided to DOE by Liberty on August 22, 2024.

In the DOE's opinion, Liberty's proposed language does not acknowledge the accounting error and reference the bill line where the credit appears. Accordingly, the Department proposes the following language for a better customer understanding:

> "A credit has been applied to your account to expedite customer refunds due to a company error associated with the summer 2023 gas supply rates. Your credit was calculated based on your summer 2023 usage and is listed as a "Miscellaneous Adjustment". If you have questions, please call 1-800-833-4200."

The proposed message above could also appear in bold font for clarity and attention. This message will also explain the range of credits customers will receive, if customers compare their credits, or lack thereof.

V. DOE Recommendations

In the opinion of the DOE, for the reasons explained above, a lump sum on-bill credit is just, reasonable, and in the public interest. Accordingly, the DOE recommends that:

- The Commission approve the relief the Company requests in its petition and authorize Liberty to provide the customer-specific credits to Summer 2023 customers based upon their usage during that period;

- The Commission approve the relief the Company requests and authorize that the remainder of the over-collection amount (move out allocation balance) will remain in the summer deferral account, inclusive of carrying charges, and to be rolled forward to Summer 2025 period, and factored into the Company's Summer 2025 cost of gas calculation.