

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 24-042

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

Summer 2024 Cost of Gas

Order Establishing Cost of Gas Rates

O R D E R N O. 26,999

April 30, 2024

In this order, the Commission **APPROVES** the 2024 summer cost of gas (COG) rate proposed by Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Keene Division (Liberty Keene). The new cost of gas rate is \$1.6337 per therm and it is expected to increase a typical residential customer's overall bill for the six-month summer 2024 period (May through October) by approximately \$34.88 in the gas component of their bills compared to the prior summer period. The Commission held a hearing on Liberty Keene's cost of gas rates on April 19, 2024. At the hearing, both the New Hampshire Department of Energy (DOE) and the Office of the Consumer Advocate (OCA) supported the proposed COG rate. The Commission admitted Exhibits 1 through 7 into the record. Liberty Keene presented the testimony of Deborah Gilbertson, Alyssa Maston, and Robert Garcia, and the DOE presented the testimony of Ashraful Alam. All docket filings, other than those subject to confidential treatment, are available on the Commission's website at:

<https://www.puc.nh.gov/Regulatory/Docketbk/2024/24-042.html>.

I. 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. See Order No. 26,807 (April 25, 2023) at 3. Supply costs consist primarily of commodity prices (the cost of the propane or compressed natural gas itself) and the cost to transport the gases. *Id.* The Liberty Keene COG rate blends the costs of the propane and compressed natural gas and allows Liberty Keene 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. Order No. 26,807 at 3. The COG mechanism allows Liberty Keene to pass market costs through to customers directly, but prohibits any mark-up or profit. *Id.* COG rates are initially set by Liberty Keene using projected commodity costs and sales for the upcoming summer or winter period. Order No. 26,807 at 3. Liberty Keene 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. *Id.* 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. *Id.* at 3–4.

All supply costs and revenues are reconciled semi-annually. Order No. 26,807 at 4. During each summer COG rate proceeding, the Commission reconciles the actual costs and revenues from the prior period. *Id.* Likewise, during each winter COG proceeding, the Commission reconciles the actual costs and revenues of the prior winter. *Id.* The results of the reconciliation are reflected in the COG rate going forward. *Id.*

In its testimony, Liberty Keene sought clarity on how it should interpret §7.1 of the settlement agreement approved in Docket No. DG 20-105. *See* Exhibit 2, at Bates Page R009 n.1. Specifically, Liberty Keene noted that §7.1 was unclear as to how Liberty Keene should accommodate CNG purchases going forward and reconcile any savings from two consecutive years of CNG purchases relative to the cost of propane. *Id.* Notably, this portion of the settlement agreement does not affect Liberty Keene's proposed rates in this docket.

II. COMMISSION ANALYSIS

Based on our review of the record, including the live testimony and exhibits, we find that the proposed initial 2024 summer COG rate of \$1.6337 per therm is just and reasonable under RSA 374:2 and RSA 378:7. The rates appear to have been calculated in a manner consistent with past practice, based on market commodity rates and the reconciliation of the 2023 summer COG actual costs following the DOE's audit of those costs. *See id.*

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.

With respect to Liberty Keene's request for clarity on §7.1 of the settlement agreement, the Commission declines to issue any declarative ruling in this order. The issue Liberty Keene raises does not affect rates in this docket, and thus does not need to be addressed at this time. We request that Liberty Keene continue to monitor the difference in prices between CNG and propane, and raise this issue in a future docket where the rates are potentially impacted.

Based upon the foregoing, it is hereby

ORDERED, that Liberty Keene's proposed summer 2024 COG rate of \$1.6337 per therm for the period of May 1, 2024 through October 31, 2024 is **APPROVED**, effective for service rendered on or after May 1, 2024, for residential, and commercial and industrial, customer classes; and it is

FURTHER ORDERED, that a maximum summer 2024 COG rate of \$2.0421 per therm for the period of May 1, 2024 through October 31, 2024 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

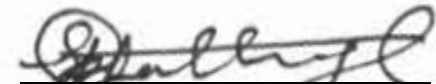
FURTHER ORDERED, that Liberty Keene shall provide the Commission with its monthly calculation of the projected over- or under-collection, along with the resulting revised COG rate for the subsequent month, not less than five business days prior to the first day of the subsequent month. Liberty Keene 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.

By order of the Public Utilities Commission of New Hampshire this thirtieth day of April, 2024.


Daniel C. Goldner
Chairman


Pradip K. Chattopadhyay
Commissioner


Carleton B. Simpson
Commissioner

Service List - Docket Related

Docket#: 24-042

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Email Addresses

ClerksOffice@puc.nh.gov
Ashraful.Alam@energy.nh.gov
Faisal.DeenArif@energy.nh.gov
Michelle.Azulay@libertyutilities.com
Bruce.L.Blair@energy.nh.gov
Michael.J.Crouse@oca.nh.gov
Tyler.Culbertson@libertyutilities.com
Energy-Litigation@energy.nh.gov
paul.b.dexter@energy.nh.gov
Robert.Garcia@libertyutilities.com
deborah.gilbertson@libertyutilities.com
Molly.M.Lynch@energy.nh.gov
Alyssa.Maston@libertyutilities.com
ocalitigation@oca.nh.gov
michael.sheehan@libertyutilities.com
karen.sinville@libertyutilities.com
Joshua.Tilbury@libertyutilities.com