

REDACTED

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

Docket No. DG 24-100

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

Winter 2024-2025 Cost of Gas

Technical Statement of Alyssa E. Maston
November 4, 2024

A. Purpose of This Technical Statement

In Order No. 27,070 (October 31, 2024), the Commission raised concerns over whether the Company's filing properly allocated 75% of the compressed natural gas ("CNG") demand costs to the winter period that is at issue in this docket. The order directed the Company "to submit a supplemental filing that either: (1) readjusts its Winter 2024/2025 COG rates based on the demand charge allocation approved in Order No. 26,505; or (2) explain why the currently proposed rates would be just and reasonable." Order No. 27,070 at 3.

The purpose of this technical statement is to explain why the rates that the Commission provisionally approved in Order No. 27,070 are just and reasonable by showing that those rates include the correctly allocated balance of the CNG demand charges.

B. Background

Liberty began serving a portion of its Keene customers with CNG in 2019. At that time, the fixed demand charges incurred by the company for this CNG were allocated between the winter and summer seasons in an 80/20 split. This allocation was determined based on the percentage of peak and off-peak period loads when compared to the total annual load. This allocation was subsequently updated to a 75/25 split in Order No. 26,475 (April 30, 2021) in Docket No. DG 21-050, to more accurately reflect the past average annual CNG usage by season. Since then, there have been no changes to the allocation of the demand charges between the winter and summer seasons.

The Company receives monthly invoices for 1/12th of the total contracted annual demand charges. Currently, the total annual CNG demand charges are [REDACTED]. Each invoice received is for [REDACTED], and each month the invoice is booked to both the winter and summer cost of gas deferral

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accounts using the 75/25 split. This results in [REDACTED] ([REDACTED]*75%) being booked to the winter cost of gas deferral account each month, and [REDACTED] ([REDACTED]*25%) being booked to the summer cost of gas deferral account each month. Therefore, at current CNG demand charges, Liberty allocates a total of [REDACTED] (12*[REDACTED]) to Winter and [REDACTED] (12*[REDACTED]) to Summer.

In the Keene Cost of Gas filings for the Winter 2023-2024 period and prior, Schedule B only depicted the six months that the rate being proposed in the filing would be in effect. This presentation excluded any activity that occurred in the deferral accounts during the other six months of the year, such as billings for the winter period that occurred during the months of May through October and the accumulation of interest. This presentation also showed the demand charges for each season being split across six months, instead of the twelve months over which they are actually incurred.

Beginning with the Summer 2024 Cost of Gas filing in Docket No. DG 24-042, the Company expanded Schedule B to include the twelve months spanning from the end of the last Summer period through the then upcoming Summer 2024 period on Schedule B. This change was made to more accurately show the activity that occurs in the deferral account across the entire year instead of just the six months of the Summer 2024 period. This change in presentation did not reflect any change in how the Company has recorded or allocated the CNG demand cost and did not have any effect of the cost of gas rate calculation or what costs are included in that calculation.

The Department of Energy's Audit Division specifically noted this presentation change:

The summer cost of gas reconciliation in the past has covered the May-October period. The Company included the November 2022-April 2023 deferred interest, billed revenue from other periods, unbilled reversals, and monthly 25% CNG demand costs for the first time. When Audit asked the Company why they specifically made this change they stated, "The Company elected to extend Schedule B by including the November 2022-April 2023, to report the actual CNG demand charges in the month they were booked to the general ledger. The Company incurs a single CNG demand charge every month attributable to both the summer and winter periods. 75% of the total CNG demand charge is allocated to the winter deferral and 25% to the summer deferral."

Final Audit Report for the Keene Division's Summer 2023 COG, dated March 11, 2024, at 3 (marked as Confidential Exhibit 4 and Exhibit 5 in Docket No. DG 24-042).

The Audit Division found no issue with the Company's treatment of the CNG demand charge allocation. The Company followed the same process in this docket, as demonstrated below.

C. Calculations

As noted above, the total annual CNG demand charges are [REDACTED], which means that 75% of this amount or [REDACTED] should be allocated to the Winter 2024-25 Period. As shown on Updated Schedule B, line 14, column 14 (Bates 0023), the total allocated to Winter 2024-25 period is [REDACTED].

To further illustrate the fact that [REDACTED] was allocated to Winter 2024-25, Liberty prepared Table 1 below, which is a more detailed version of the calculation that can be found on the Updated Summary schedule of the Company's September 27, 2024 and which reflects an alternative calculation of the proposed Cost of Gas rate of \$1.5420.

Table 1

Line No.	Description	Amount	Reference
1	Actual 4/30/2024 (over)/under balance	\$ 7,496	Schedule B, Line 41, Col. 1
2	CNG demand charges, May-Oct	[REDACTED]	Schedule B, Line 14, Col. 2-7
3	Adjustments, May-Oct	[REDACTED]	Schedule B, Lines 16, 18 and 20, Col. 2-7
4	Billed revenues (less unbilled), May-Oct	\$ (79,250)	Schedule B, Lines 33 and 34, Col. 2-7
5	Interest, May-Oct	\$ (3,272)	Schedule B, Line 40, Col. 2-7
6	Projected 10/31/2024 (over)/under balance	\$ (86,118)	Sum of lines 1-5
7	Projected cost of propane	\$ 1,232,647	Schedule B, Line 5, Col. 8-13
8	Indirect costs from DG 20-105	\$ 208,129	Schedule B, Line 6, Col. 8-13
9	Projected cost of CNG	[REDACTED]	Schedule B, Line 13, Col. 8-13
10	CNG demand charges, Nov-Apr	[REDACTED]	Schedule B, Line 14, Col. 8-13
11	Projected Incremental costs	[REDACTED]	Schedule B, Line 15, Col. 8-13
12	FPO premium	\$ 2,611	Schedule B, Line 19, Col. 8-13
13	Gas assistance program	\$ (18,293)	Schedule B, Line 20, Col. 8-13
14	Return on inventory	\$ 14,022	Schedule B, Line 22, Col. 8-13
15	Interest, Nov-Apr	\$ (1,947)	Schedule B, Line 40, Col. 8-13
16	Total Anticipated COG Sendout	\$ 1,796,383	Sum of lines 7-15
17	Total Anticipated Cost	\$ 1,710,266	Line 6 + Line 16
18	Projected Gas Sales - therms	1,109,098	Schedule B, Line 32, Col. 8-13
19	Calculated Cost of Gas Rate	\$ 1.5420	Line 17 / Line 18

The sum of the [REDACTED] booked to the Winter deferral account ([REDACTED]*75%) each month between May and October 2024 can be seen on Line 2. The sum of the [REDACTED] in CNG demand charges that will be incurred monthly between November 2024 and April 2025 that are attributable to the Winter season can be seen on Line 10. The sum of Lines 2 and 10 is [REDACTED], which is the appropriate amount to allocate to the Winter season. All costs listed in Table 1, including the [REDACTED] in CNG demand charges, are included in the costs that are spread across the forecasted sales for the upcoming Winter period to arrive at the proposed rate of \$1.5420 that was provisionally approved in Order No. 27,070 (October 31, 2024).

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The [REDACTED] in CNG demand charges that are allocated to the summer season ([REDACTED]*25%), were presented in the Company's filings in Docket No. DG 24-042 in a similar manner and all [REDACTED] were included in the initial Summer Cost of Gas rate that was approved in Order No. 26,999 (April 30, 2024).

D. Request

The Company requests that the rates that were provisionally approved in Order No. 27,070 (October 31, 2024) in Docket No. DG 24-100 be approved for the remainder of the Winter 2024-2025 season, with allowed monthly adjustments.