STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty

Request for Change in Rates

Docket No. DG 20-105

SETTLEMENT AGREEMENT ON PERMANENT RATES

This Settlement Agreement on Permanent Rates ("Settlement Agreement") is entered into this 29th day of June, 2021, by and among Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty ("Liberty" or the "Company"), the Staff of the Public Utilities Commission participating in this proceeding ("Staff"), and the Office of the Consumer Advocate ("OCA") (together, "Settling Parties"). This Settlement Agreement resolves all issues among the Settling Parties regarding the Company's request to establish permanent rates in Docket No. DG 20-105, with the exception of Liberty's request to recover costs incurred to investigate, evaluate, and assess the development of the Granite Bridge Liquefied Natural Gas tank and related gas pipeline ("Granite Bridge Project").

SECTION 1. INTRODUCTION AND PROCEDURAL HISTORY

1.1 On July 1, 2020, Liberty filed with the New Hampshire Public Utilities Commission ("Commission") a Notice of Intent to File Rate Schedules pursuant to N.H. Code Admin. Rules Puc 1604.05. On July 31, 2020, the Company filed its Petition for Permanent and Temporary Rates ("Petition"), including proposed tariffs and rate schedules, testimony, attachments and other information supporting the Petition. Liberty's Petition requested that the Commission grant: (1) a permanent increase in Liberty's distribution rates effective with service rendered on or after September 1, 2020, designed to yield an increase of $13,497,250 in annual revenue above the then the Granite Bridge Project Costs. The recovery of the Granite Bridge Project Costs are excluded from this Settlement Agreement and shall be litigated within this proceeding.

SECTION 11. RATES AND RATE DESIGN

11.1 **Decoupling.** As this is the first general rate case since the implementation of decoupling, the Settling Parties agree that this is an opportunity to clarify the process surrounding the decoupling mechanism and the associated tariff language. The Agreement consists of five points regarding decoupling:

(a) The calculation of the revenue per customer (RPC) for permanent rates shall include:

i. the end of year calendar month bill count adjustment in the denominator of the calculation for the test year;

ii. the volumetric therms used for the calculation shall reflect the monthly bill counts adjusted for the end of year calendar month bill counts; and

iii. the RPC for the permanent rate increase shall not change until the next rate case.

(b) The calculation of the incremental revenue per customer for subsequent non-rate case rate changes such as, but not limited to, step adjustments, property tax reconciliation, and temporary rates, shall (i) use actual calendar month bill counts for the same time period being used to determine the calculation of each new RPC, and (ii) add each incremental RPC to the RPC from the rate case.

(c) Because the MEP Premium[9] is not subject to decoupling, the RPC calculations that are used to calculate the allowed revenue and the Revenue Decoupling Adjustment Factor shall not include the MEP Premium.

[9] MEP Premium is the premium charge to customers in the Managed Expansion Program. In Docket No. DG 17-048, the Commission approved the decoupling proposal in the settlement (Order 26,122 at 45) which states in part: "Managed Expansion Program customers are subject to decoupling, but the expansion surcharge dollars (i.e., the 30% distribution premium) are excluded from the decoupling calculation" (DG 17-048 Exhibit 29 at 11)

(d) Each month the Company shall record a Revenue Decoupling Adjustment (RDA) in the balance sheet RDA Accounts in accordance with generally accepted accounting principles, including: (i) the Revenue Decoupling Adjustment which is the difference between the Monthly Allowed Revenue and the Monthly Actual Distribution Revenue; (ii) the reconciliation amounts collected or distributed through the RDAF recorded in the RDA Accounts for each Customer Class Group; and (iii) the accrued interest on the RDA Accounts calculated on the average monthly balance using the prime lending rate.

(e) The RPC calculations, including equivalent bill calculations and associated usage per customer, shall be submitted with each rate increase filing and the associated tariff compliance filing.

The tariff has been amended as shown in Appendix 11 to effectuate the above understanding.

11.2 Revenue Calculations.

(a) **Indirect Gas Costs**. The Settling Parties agree to include \$3,893,588 of Indirect COG Revenue for recovery through the COG which includes \$1,900,000 of the revenue requirement increase identified in 2.1. The Indirect COG Revenue shall not change until the next rate case. The Indirect COG Revenue collected through COG rates shall be included in the revenue calculation for all future filings. The Settling Parties agree that the \$3,893,588 of Indirect COG Revenue includes \$206,248 of propane production costs allocated to Keene and \$1,881 of Phase 1 conversion costs. The Keene COG tariff shall reflect the combined total of \$208,129 as indirect gas costs.

(b) The Settling Parties agree that for purposes of calculating revenue in filings to the Commission the Company shall use the following guidelines:

i. The revenue per customer for low-income customers shall not be different from customers not categorized as low-income. The discount provided to low-income customers shall not be included in the revenue calculation as it is reconciled separately through the Gas Assistance Program (GAP) portion of the LDAC.

11.3 The Company's customer charges shall be set at the levels identified in Appendix 8. Thereafter, the Company's residential customer charges shall remain as set until the Company's next rate case. Specifically, any base rate increase and any surcharges or sur-credits for residential customers provided for in this Settlement Agreement shall be collected solely through changes in consumption charges for residential customers.

SECTION 12. TEST YEAR

12.1 The test year for the Company's next general distribution rate case shall be no sooner than the twelve-month period ending December 31, 2022.

SECTION 13. OTHER ISSUES

13.1 On or before November 30, 2021, the Settling Parties shall meet to review a list of regulatory reports currently required by the Commission, and discuss areas for potential elimination, consolidation, decreased frequency, and other measures to streamline reporting requirements. The Settling Parties shall submit individual or collective recommendations to the Commission following such meeting.

13.2 Liberty agrees to include in its Form F-1 quarterly rate of return reports adjustments of iNATGAS and risk sharing disallowances as described above. Reporting to include Indirect COG Revenue. Until changed in a future rate proceeding, the adjustment amounts shall be as follows: iNATGAS of $301,747, Keene risk sharing of $21,736, and Pelham risk sharing of $61,871.

NHPUC NO. 11 - GAS

LIBERTY UTILITIES (ENERGYNORTH NATURAL GAS) CORP.
D/B/A

LIBERTY

SUPERSEDING NHPUC No. 10

TARIFF

FOR

GAS SERVICE

Applicable

in

Thirty-five towns in New Hampshire
served in whole or in part.

(For detailed description, see Service Area)

DATED: XXX XX, 2021

EFFECTIVE: August 1, 2021

ISSUED BY: /s/Neil Proudman
Neil Proudman

TITLE: President

Authorized by NHPUC Order No. XX,XXX dated XXX XX, 2021, in Docket No. DG 20-105

6. Reconciliation Adjustment: Account 1163-1755 shall contain the cumulative difference between the sum of the DSM expenditures incurred by the Company plus the sum of the DSM repayments and the revenues collected from customers. The Company shall file the reconciliation along with the COG filing on or before the first business day in September of each year.

D. Revenue Decoupling Adjustment Factor.

1. Purpose: Revenue decoupling eliminates the link between volumetric sales and Company revenue in order to align the interests of the Company and customers with respect to changing customer usage by establishing an allowed revenue per customer ("RPC"). The Company is allowed to collect that RPC for the number of actual customers it has in a given month. The purpose of the Revenue Decoupling Adjustment Factor ("RDAF") is to establish procedures that allow the Company, subject to the jurisdiction of the NHPUC, to adjust, on an annual basis, its rates for firm gas sales and firm transportation in order to reconcile the difference between the Actual Revenue collected and the Allowed Revenue. The purpose of the Normal Weather Adjustment ("NWA") is to adjust each customer's bill for the difference in delivery charges caused by the variation in actual Heating Degree Days ("HDDs") from normal HDDs during the Winter Period.

2. Effective Date: The RDAF and NWA shall take effect beginning on November 1, 2018, and replace the Lost Revenue Adjustment Mechanism (LRAM) established in Order No. 25,932 (Docket No. DE 15-137).

3. Applicability: The Revenue Decoupling Adjustment Factor and NWA shall apply to all of the Company's firm tariff rate schedules, excluding special contracts, as determined in accordance with the provisions of this RDAF and NWA.

4. Definitions: The following definitions shall apply throughout Section 17D:

   a. Actual Number of Customers is the actual number of Equivalent Bills for the applicable Rate Class for each applicable month of the Decoupling Year.
   b. Equivalent Bill. Customers are billed on different days of the month. To calculate the number of customers in a month for purposes of calculating the Monthly Actual Revenue it is necessary to use Equivalent Bills as a representation for customers. Equivalent Bills are calculated by dividing the number of days in the billing period of each customer's bill by 30.
   c. Billing Year is the 12-months commencing November 1 immediately following the completion of the Decoupling Year.
   d. Decoupling Year. The first Decoupling Year shall be the 10-month period from November 1, 2018 to August 31, 2019. Each subsequent Decoupling Year shall be the twelve months commencing September 1 through August 31.
   e. Rate Class are customers taking service pursuant to the rate schedules combined as follows: Rates R-1 and R-5, Rates R-3, R-4, R-6, and R-7, Rates G-41 and G-44, Rates G-42 and G-45, Rates G-43 and G-46, Rates G-51 and G-55, Rates G-52 and G-56, Rates G-53 and G-57, and Rates G-54 and G-58.
   f. Customer Class Group (CG) is the group of rate schedules combined for purposes of calculating the Revenue Decoupling Adjustment and the RDAF. The two Customer Class Groups are as follows:

Residential Customer Class Group (CG1): defined as both Residential Non-Heating Rate Class and Residential Heating Rate Class, shall consist of all customers taking service pursuant to the Company's residential rate schedules. CG1 shall include customers taking service under rate schedules R-1, R-3, R-4, R-5, R-6 and R-7.

Commercial and Industrial Customer Class Group (CG2): shall consist of all customers taking service pursuant to one of the Company's general service rate schedules, G-41, G-42, G-43, G-44, G-45, G-46, G-51, G-52, G-53, G-54, G-55, G-56, G-57 and G-58.

g. Distribution Revenue is the revenue from the Company's firm sales service and firm delivery service customers and does not include other revenue, special contracts, and all revenues recovered from Cost of Gas filings.

5. Calculation of Revenue Per Customer

a. Definitions:

i. Initial Approved Revenue is the Distribution Revenue for each Rate Class less MEP Premium revenues, all as approved by Order of the Commission in a rate case, to determine the Commission approved Initial RPC per Rate Class.

ii. Incremental Approved Revenue is the amount of any change to the Initial Approved Revenue that is approved by Order of the Commission between rate cases and used to determine the Commission approved Incremental RPC and new Approved RPC.

iii. Initial Revenue per Customer ("Initial RPC") is calculated for each Rate Class and approved by Order of the Commission in a rate case.

iv. Incremental Revenue per Customer ("Incremental RPC") divides the Incremental Approved Revenue for each Rate Class based on the monthly Equivalent Bills for that Rate Class for the test period associated with the Incremental Approved Revenue. The Incremental RPC is approved by Order of the Commission in a proceeding other than a rate case that results in a permanent adjustment to base distribution rates. Such proceedings may include, but are not limited to, step adjustments, property tax reconciliation, and temporary rates.

v. Approved Revenue per Customer ("Approved RPC") is the sum of the Initial RPC per Rate Class and all Incremental RPC's per Rate Class, if any.

b. A separate RPC is calculated for each month of the decoupling year for each Rate Class using Approved Revenue and Equivalent Bills for each month.

c. The Initial RPC is set for each month by calculating the Initial Approved Revenue by Rate Class by month from the approved rate schedule rates by Rate Class for that month. The rate schedule rates adjusted for the MEP Premium are multiplied by the appropriate monthly billing units, Equivalent Bills for customer charges, therms for the blocked therm charges, to produce the Initial Approved Revenue by Rate Class by month. The monthly Initial Approved Revenue are then divided by the Equivalent Bills for that month to produce the Initial RPC's for each Rate Class. For the Initial RPC's, the Equivalent Bills and associated blocked therm billing units shall be adjusted by an End of Year Bill Adjustment that reflects the number of customers that received service at the end of the test year.

d. The Incremental RPC is set for each month by calculating the Incremental Approved Revenue by Rate Class by month from the approved rate schedule rates by Rate Class for that month. The rate schedule rates adjusted for the MEP Premium are multiplied by the appropriate monthly billing units, Equivalent Bills for customer charges, therms for the blocked therm charges, to produce the Incremental Approved Revenue by Rate Class by month. The monthly

Initial Approved Revenue are then divided by the Equivalent Bills for that month to produce the Initial RPC's for each. For the Incremental RPC's, the Equivalent Bills and associated blocked therm billing units shall be those bills and units for the test period associated with the Incremental Approved Revenue.

6. Calculation of Normal Weather Adjustment

a. Definitions.

i. Real-time normal weather adjustment is the difference between actual distribution revenue billed to each customer in each billing cycle for each month or portion thereof during the Winter Period, and what distribution revenue for each customer's bill would have been based on weather normalized therm deliveries for the same period. The resulting charge or credit will be added to or subtracted from each customer's bill at the time the bill is rendered (i.e., "real time").

ii. Winter Period. The time period from November 1 of a given year through April 30 of the following year inclusive.

iii. Base Load Factor for each customer is the customer's most recent two-year average daily delivered therms for actual bills rendered for those billing periods that are completely within the June 1 through August 31 calendar period excluding such billing periods that are only partially within the June 1 to August 31 period. If a customer has less than two-year's billing history, then the customer's available history for the months of June through August as defined above will be used to calculate the average daily delivered therms; and if a customer has no billing history for the months of June through August as defined above, then the average daily delivered therms for the calendar months of June through August for the rate schedule under which the customer is served will be used.

iv. Base Usage for each bill is the current Base Load Factor times the number of days in the billing period.

v. Heating Usage for each bill is the difference between the actual delivered therms for that bill less the Base Usage for that bill. If the calculated Heating Usage is less than zero, then the Heating Usage for that bill is set equal to zero.

vi. Heating Degree Days (HDD) for each day is sixty-five (65) minus the average temperature in degrees Fahrenheit for that day. If the calculated HDD is less than zero, then the HDD for that day is set equal to zero.

vii. Normal Heating Degree Days (Normal HDD) for each day is the thirty-year average HDD for that day.

viii. Normal Weather Adjustment Slope (NWA Slope) for each bill is the Heating Usage divided by the sum of actual HDD during the billing period.

ix. Normal Heating Usage for each bill is the NWA Slope times the sum of the Normal HDD for the billing period.

x. Normal Usage for each bill is the sum of the Base Usage and the Normal Heating Usage.

xi. Normal Weather Factor (NWF) for each bill is

$$\text{NWF} = \frac{\text{DeliveryCharge}_{\text{Normal}}}{\text{DeliveryCharge}_{\text{Actual}}} - 1$$