

**STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION**

Docket No. DG 22-053

ELECTRIC AND GAS UTILITIES

**Investigation of Energy Commodity Procurement Renewable Portfolio Standard; Default Service
Electric Power; Cost of Gas Methodology and Process**

Technical Statement of Faisal Deen Arif, Gas Director
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As explained in more detail below, the New Hampshire Department of Energy (Department) submits this technical statement discussing the technical statements filed by Northern Utilities Inc. and Liberty Utilities (EnergyNorth Natural Gas) Corp. in response to questions posed by the Public Utilities Commission (PUC or the Commission).

Background

The procedural background has been summarized by Northern Utilities Inc. (Northern) and Liberty Utilities (EnergyNorth Natural Gas) Corp. (EnergyNorth) in their November 18, 2022 filings and will not be reviewed in detail here. On October 11, 2022, the Commission issued a procedural order separating electric and gas issues and posing specific questions to the utilities. See Procedural Order (October 11, 2022).

The Commission directed New Hampshire's gas utilities, Northern and EnergyNorth, to "produce independent technical statements" responsive to the following Commission questions:

- (i) *Consolidated Procurement: What is the viability of a regionally harmonized and/or a state-wide approach to gas procurement?*
 - a. *Please identify the constraints of a possible unification of existing procurement practices*
 - b. *Given that asset management is currently optimizing resources across utilities and states, could the use of state-of-the-art asset management tools enhance the possibility of a consolidated procurement process?*
 - c. *How could consistency among jurisdictions pertaining to legal requirements be achieved?*
- (ii) *Cost of Gas Practices: Each company is requested to share a detailed outline as well as supporting process documents on the practices that they have adopted by their affiliates in their various jurisdictions.*
- (iii) *Miscellaneous: Explore possibilities to implement more proactive market-based measures by adjusting the intervals, frequencies, timing and scall of procurements* as well as any other issues that could improve the cost of gas approval process with the goal of reducing utility*

*rates in New Hampshire. (*The Commission’s footnote stated, “Considering the upward trend of the prices in the market, of note is a recent proactive procurement by one of the gas companies for an extended period of time covering seasonal fluctuations.”)*

Department of Energy Comments

The Department is mindful of, and appreciates, the Commission’s specific interest in the Department’s thoughts on “the weighing of stability and price, and how that should manifest itself [in any efforts to alter methodology or procurement process for the electric and gas industries].” *See* October 5, 2022 Transcript of Prehearing Conference at 39.

The Department notes that its comments are not directly responsive to the Commission’s individual questions as posed, but rather “responses to the utilities’ technical statement submissions,” as made on November 18, 2022. *See* Commission’s Procedural Order at 3 (Oct 11, 2022) (“Responses from Non-Utility Participants”)

I. Gas Procurement: Planning and Implementation Process

The Department generally agrees with the views expressed in Northern and EnergyNorth’s technical statements. The Department further recognizes that the commodity supply and procurement process involve various market segments (thus, is analogous to a supply chain framework) where utilities are active participants and behave as price-takers. Having so recognized, the Department agrees that the utilities have a limited ability to exert influence over various market segments under the current structure of the market. As such, the Department would be interested to garner and discuss innovative approaches/views from the utilities that would enable them to procure gas at a cheaper cost.

The Department acknowledges that the utilities, as price-takers, are faced with trade-offs among reliably meeting their demand commitments and managing their individual capacity portfolios to minimize the gas supply cost. The trade-offs necessitate a certain degree of utility autonomy that, with appropriate combination of procurement planning and process, would put downward pressure on the gas supply price. Securing reliable, adequate, uninterrupted gas supply to meet forecasted demand at the lowest possible cost includes careful planning as well as intricate and often time-sensitive interactions performed by each individual utility through multiple market channels.

Absent extraneous market conditions, the Department views the utilities’ role in the short-, medium-, and long-term planning as significant in ensuring reliable and least-cost supply of gas. The Department particularly takes note of how the gas utilities individually plan and coordinate among the following market segments of their gas procurement methodology and process vis-à-vis their planning horizon:

- The gas commodity market (both futures- and spot-market)
- The capacity contracts (for transportation of the commodity – the primary transportation market)
- The asset management agreements (or the AMAs – the secondary transportation market)
- The short-term peaking supply contracts (along with the storage capacity and usage planning)
- The role of the Least-Cost Integrated Resource Plan (LCIRP)

Given the nature of these market segments, the Department welcomes utilities' intention to work together to explore opportunities to further benefit ratepayers. In particular, at the technical session(s) and the hearing, the Department is interested in exploring the following topics:

- Current hedging plan including LNG and CNG short-term peaking supply contracts and the impact of changes thereof in the medium- and long-term
- Projection of demand growth and how the utilities anticipate responding to it, given their current capacity portfolio in the medium- and long-term
- Anticipated changes in the capacity portfolio and the potential impact on the gas supply price
- Impacts of individual vs joint RFP procurement process
- The role of the “adder” in the current supply price
- Ways to enhance efficiency in regulatory oversight process

The Department recognizes the uniqueness of challenges presented by different market segments in the overall supply and procurement chain, and thus encourages both utilities to think outside-the-box to generate and present options that may reasonably lower the cost of gas in the medium- and long-term while trying to strike a balance among reliability, price stability, and price fluctuations.

II. Tariff Compliance Approval Process

The Department is interested in understanding the Commission's expectations regarding interactions among the Tariff Administrator, Northern, EnergyNorth, and Department staff with regard to compliance tariffs and tariffs filed to reflect any monthly cost of gas adjustments. For example, how might all parties to a docket gain the benefit of any insights or comments the Commission's Tariff Administrator may make to individual parties. In the alternative, if contact between the Tariff Administrator and only one party constitutes *ex parte* contact, how might parties in on-going dockets, such as the cost of gas dockets, resolve tariff concerns? *See New Hampshire Department of Energy Joint Report* at 3 (December 27, 2021) (Department asks the PUC to allow a minimum of ten days for Energy to review compliance tariffs and three days to review trigger filings, before issuing a letter of compliance).