

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 22-057

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

Winter 2022/2023 Cost of Gas

Order Establishing Cost of Gas Rates

ORDER NO. 26,716

October 31, 2022

In this order, the Commission approves Cost of Gas (COG) rates for the 2022-2023 winter period. The costs for the winter periods are reflective of commodity prices, hedging, and Liberty-Keene's gas transportation, storage, and peaking strategies.

Residential Rates (per therm)

Winter Rates

| | Proposed Rates | Prior Year (weighted average) Rates | Change |
|--------------|----------------|-------------------------------------|------------|
| Cost of Gas | \$2.1216 | \$1.9730 | \$0.1486 |
| LDAC | \$0.1110 | \$0.1226 | \$(0.0116) |
| Distribution | \$0.6519 | \$0.5632 | \$0.0887 |
| Total | \$2.8845 | \$2.5799 | \$0.3047 |

This winter residential heating customers can expect to pay 8% more than last winter based on weighted-average COG rates in the prior year periods.

Gas commodity costs incurred by Liberty-Keene in making purchases to serve its customers are passed through without a markup in the COG tariff rates. The Commission does not administratively set the prices offered by wholesale gas suppliers or ancillary service providers to serve Liberty-Keene's customer load. These prices are

set by the suppliers and service providers themselves, informed by prevailing market conditions, where Liberty-Keene endeavors to procure a reliable gas supply at the lowest cost. The Commission oversees this procurement process as part of this proceeding and approves the resultant rates under the governing statutory standards.

I. PROCEDURAL HISTORY

On September 15, 2022, Liberty-Keene filed a winter 2022/2023 cost of gas (COG) filing outlining its proposed COG for the winter period (November 1, 2022, through April 30, 2023).

On September 20, 2022, the New Hampshire Department of Energy (DOE) filed a notice of appearance and proposed procedural schedule.

The Commission commenced an adjudicative proceeding and provided notice of hearing order on September 28, 2022, scheduling a hearing on this matter for October 26, 2022. There were no intervenors.

On October 7, 2022, Liberty-Keene updated its Winter 2022–2023 COG filing, including the Technical Statement of Heather M. Tebbetts, and supporting schedules.

On October 24, 2022, the Commission requested summary data pertaining to Liberty-Keene's Winter 2022/2023 COG rate proposal.

On October 25, 2022, Liberty-Keene filed summary information in response to the Commission's October 24, 2022 record requests.

The hearing was held on October 26, 2022, as scheduled, and representatives of Liberty-Keene and the DOE appeared.

The petition and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, are posted on the Commission's website at

<https://www.puc.nh.gov/Regulatory/Docketbk/2022/22-057.html>

II. BACKGROUND AND OVERVIEW OF LIBERTY'S LDAC AND COG REQUESTS

The Cost of Gas adjustment mechanism was implemented in 1974 during a time of rapidly changing prices to reflect increases and decreases in energy supply costs in customer rates without having to go through extended proceedings to change fuel delivery rates. Liberty-Keene has limited control over the market price of natural gas, which is an unregulated commodity. Similarly, it has limited control over items such as fuel transportation. The COG adjustment mechanism allows Liberty-Keene to pass those costs on to its customers directly and efficiently without mark-up or profit. For Liberty-Keene, COG rates are initially set using projected costs and sales for the upcoming winter period, which runs from November 1 through April 30.

Through the COG adjustment mechanism, Liberty-Keene may adjust COG rates monthly to incorporate changes in the propane and natural gas markets based on actual costs to date and projected costs for the remainder of the period. While there is no limitation on reductions to COG rates, rates may be adjusted upward without Commission action up to a cumulative maximum of 25 percent above the approved rate. To the extent that adjustments are based on projected costs, they are subject to periodic reconciliation, after all actual costs are known and reported.

As in prior years, Liberty-Keene offered customers the opportunity to lock in a specific price per therm for gas supply through its FPO program. Under the program, a customer pays one price per therm for the gas supply portion of the monthly bill from November 1 through April 30, regardless of market-price fluctuations. In contrast, the non-FPO COG rate fluctuates with market prices and is subject to monthly increases or decreases. Liberty-Keene proposed a residential and C&I FPO program rate of \$2.2394 per therm, and a Low Income FPO program rate of \$1.2427 per therm, which is two cents higher than initially proposed COG rates in each category.

The impacts of Liberty's proposals on the winter and summer bills of a typical residential heating customer are summarized in the tables below:

| Winter Bill | <u>Proposed vs 2021-22</u> | | | |
|-----------------------|----------------------------|------------|-----------|----------|
| | Proposed 2022-23 | 2021-22 | Change \$ | Change % |
| Base Rate | \$383.74 | \$344.09 | \$39.65 | 12% |
| COG | \$948.35 | \$881.94 | \$66.41 | 8% |
| LDAC | \$49.62 | \$54.10 | \$(4.48) | -8% |
| Winter Total | \$1,381.71 | \$1,280.13 | \$101.58 | 8% |
| Average Monthly Total | \$230.29 | \$213.36 | \$16.93 | 8% |

III. POSITIONS OF THE PARTIES

In a statement made at hearing, the DOE indicated that it was generally supportive of Liberty's COG proposals. With respect to the FPO rate, the DOE recommended reducing Liberty's proposed winter FPO rate so that it is two cents higher than the updated COG rates approved in this proceeding. The DOE recommended that any change to the FPO rate previously quoted to customers should provide ten business days to customers that elected to accept the FPO rate to change their enrollment status to the regular COG rate, if they so desired.

In its final statement made at hearing, Liberty-Keene expressed its preference for approval of the winter COG rates as filed. With respect to the FPO rates, Liberty-Keene was agnostic whether the Commission modified the rate as recommended by the DOE, noting that it was willing to implement a rate decrease for effect on November 1, 2022, but would still engage in a notification process that would allow enrolled customers adequate time to opt out of the lower FPO rate.

IV. COMMISSION ANALYSIS

The Commission does not administratively fix the market prices for gas commodities or ancillary services for Liberty-Keene or any other gas utility in our

State; the offering prices of the wholesale gas, transportation, and storage suppliers participating in the gas market, responding to prevailing market conditions, drive this outcome. The Commission does, however, oversee the process used by Liberty-Keene for its gas portfolio development, and its calculation of the resultant COG rates, for compliance with statutes, Commission rules and orders, as well as technical accuracy, to ensure just and reasonable rates within this market-driven framework. Likewise, the Commission oversees Liberty's calculation of the LDAC components, and the accuracy thereof, to ensure just and reasonable rates.

The Commission has broad statutory authority to set rates in addition to "powers inherent within its broad grant" of express authority. *See Appeal of Verizon New England, Inc.*, 153 N.H. 50, 64-66 (2005) (citations omitted). The Commission applies the "just and reasonable" ratemaking standard of RSA 374:2 and RSA 378:7 when setting COG rates. *See Northern Utilities, Inc.*, Order No. 25,891 (April 29, 2016). In circumstances where a utility seeks to increase rates, the utility bears the burden of proving the necessity of the increase pursuant to RSA 378:8.

Based on our review of the record in this docket, we find the proposed 2022-2023 winter COG rates just and reasonable and therefore approve them. Because the COG rate components are reconciled each year, any adjustments needed to reconcile actual costs and revenues will be made in filings for rates effective later in 2023 and 2024. In addition, any issues discovered during DOE audits, either pending or future, should be raised to Commission if not resolved between Liberty-Keene and the DOE.

With respect to the FPO rates, we agree with the DOE that these rates should be decreased to reflect a rate two cents higher than the COG rates approved herein. Liberty-Keene shall make this adjustment for effect November 1, 2022, while further

allowing customers to opt out within ten business days after Liberty-Keene sends notification of the decrease.

As in the past, 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 25 percent above the approved rate.

Based upon the foregoing, it is hereby

ORDERED, that Liberty’s 2022-2023 winter period COG per therm rates effective for service rendered on or after November 1, 2022, are approved as indicated in the table that follows:

| | Winter 2022-2023 | Winter Maximum Rates | LDAC |
|-----------------------------|------------------|----------------------|----------|
| Residential and C&I | \$2.1216 | \$2.6520 | \$0.1110 |
| C&I - LLF (High winter use) | \$2.1216 | \$2.6520 | \$0.0888 |
| C&I - HLF (Low winter use) | \$2.1216 | \$2.6520 | \$0.0888 |
| Residential FPO | \$2.1416 | | \$0.1110 |
| C&I FPO | \$2.1416 | | \$0.0888 |

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 (said maximum rates identified in the table 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 rates 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 monthly; and it is

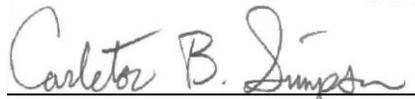
FURTHER ORDERED, that Liberty-Keene's Fixed Price Option rates are to be decreased for the winter period as discussed herein; and it is

FURTHER ORDERED, that Liberty-Keene shall file annotated tariff pages as required by N.H. Code Admin. R., Puc 1603 conforming to this order within fifteen (15) days of the date of this order, or November 11, 2022.

By order of the Public Utilities Commission of New Hampshire this thirty-first day of October, 2022.



Daniel C. Goldner
Chairman



Carleton B. Simpson
Commissioner

Service List - Docket Related

Docket #: 22-057

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