



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

Docket No. DG 16-____

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities
Summer 2016 Cost of Gas Filing

DIRECT TESTIMONY

OF

DAVID B. SIMEK

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I INTRODUCTION

Q. Please state your full name and business address.

A. My name is David B. Simek. My business address is 15 Buttrick Road, Londonderry,
New Hampshire 03053.

Q. Please state by whom you are employed and your position?

A. I am a Lead Utility Analyst for Liberty Utilities Service Corp. ("Liberty") which provides
service to Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities
("EnergyNorth" or the "Company"). I am responsible for providing rate-related services
for the Company.

Q. Please describe your educational background and training.

A. I graduated from Ferris State University in 1993 with a Bachelor of Science in Finance. I
received a Master's of Science in Finance from Walsh College in 2000. I also received a
Master's of Business Administration from Walsh College in 2001. In 2006, I earned a
Graduate Certificate in Power Systems Management from Worcester Polytechnic
Institute.

Q. What is your professional background?

A. In August of 2013, I joined Liberty as a Utility Analyst and I was promoted to a Lead
Utility Analyst in December 2014. Prior to my employment at Liberty, I was employed
by NSTAR Electric & Gas ("NSTAR") as a Senior Analyst in Energy Supply from 2008

1 to 2012. Prior to my position in Energy Supply at NSTAR, I was a Senior Financial
2 Analyst within the NSTAR Investment Planning group from 2004 to 2008.

3 **Q. Have you previously testified in regulatory proceedings before the New Hampshire**
4 **Public Utilities Commission (the “Commission”)?**

5 A. Yes, I have testified on numerous occasions before the Commission.

6 **Q. What is the purpose of your testimony?**

7 A. The purpose of my testimony is to explain the Company’s proposed firm sales cost of gas
8 rates for the 2016 Summer (“Off Peak”) Period to be effective May 1, 2016.

9 **II COST OF GAS FACTOR**

10 **Q. What are the proposed 2016 summer firm sales cost of gas rates?**

11 A. The Company proposes a firm sales cost of gas rate of \$0.4118 per therm for residential
12 customers, \$0.4415 per therm for commercial/industrial low winter use customers, and
13 \$0.3976 per therm for commercial/industrial high winter use customers as shown on
14 Proposed Revised Sixth Page 77.

15 **Q. Would you please explain tariff pages Proposed Second Revised Page 76 and**
16 **Proposed Sixth Revised Page 77?**

17 A. Proposed Second Revised Page 76 and Proposed Sixth Revised Page 77 contain the
18 calculation of the 2016 Summer Period Cost of Gas Rate and summarize the Company’s
19 forecast of firm gas sales, firm gas sendout, and gas costs. On Proposed Sixth Revised

Page 77, the 2016 Average Cost of Gas of \$0.4118 per therm is derived by adding the Direct Cost of Gas Rate of \$0.3979 per therm to the Indirect Cost of Gas Rate of \$0.0139 per therm. The estimated total Anticipated Direct Cost of gas is \$7,954,286 and the estimated Indirect Cost of Gas is \$278,635. The Direct Cost of Gas Rate and the Indirect Cost of Gas Rates are determined by dividing each of these total cost figures by the projected firm sales volumes of 19,992,221 therms. Proposed Sixth Revised Page 77 further shows that the Residential Cost of Gas Rate of \$0.4118 per therm is equal to the Average Cost of Gas for all firm sales customers. It also shows the calculation of the Commercial/Industrial Low Winter Use Cost of Gas Rate of \$0.4415 per therm and the Commercial/Industrial High Winter Use Cost of Gas Rate of \$0.3976 per therm.

The calculation of the Anticipated Direct Cost of Gas is shown on Proposed Second Revised Page 76. To derive the total Anticipated Direct Cost of Gas of \$7,954,286, the Company starts with the Unadjusted Anticipated Cost of Gas of \$6,956,330 and adds the Net Adjustment totaling \$997,956 (an under collection).

Q. What are the components of the Unadjusted Anticipated Cost of Gas?

A. The Unadjusted Anticipated Cost of Gas consists of the following:

1. Purchased Gas Demand Costs	\$4,602,902
2. Purchased Gas Supply Costs	2,086,877
3. Storage Gas Commodity Costs	240,661
4. Produced Gas Costs	<u>25,890</u>
Total Unadjusted Anticipated Cost of Gas	\$6,956,330

1 **Q. What are the components of the adjustments to the cost of gas?**

2 A. The adjustments to gas costs, listed on Proposed Second Revised Page 76, are as follows:

3	1. Prior Period (Over)/Under Collection	\$963,754
4	2. Interest	<u>34,202</u>
5	Total Adjustments	\$997,956

6 **Q. Please briefly discuss the status of prices in the gas commodity market that provides**
7 **the basis for your initial cost of gas rate for the Summer Period.**

8 A. As of March 7, 2016, the six-month NYMEX futures price strip for the 2016 summer was
9 \$0.2064 per therm, compared to \$0.2928 in the 2015 summer filing. The NYMEX strip
10 prices for this summer are shown on Schedule 7 and reflect current and projected market
11 conditions in the gas industry nationally.

12 **Q. How does the proposed average cost of gas rate in this filing compare to the initial**
13 **cost of gas rate approved by the Commission for the 2015 Summer Period?**

14 A. The cost of gas rate proposed in this filing is \$0.1045 per therm higher than the initial rate
15 approved by the Commission for the 2015 Summer Period (\$0.4118 vs. \$0.3073). This
16 increase is primarily due to the \$2,238,556 difference (\$0.1097 per therm) between the
17 current under collection and interest balance of \$997,956 and the 2014 Summer Period
18 over collection and interest balance of \$1,240,600.

1 **Q. What was the actual weighted average firm sales cost of gas rate for the 2015**
2 **Summer Period?**

3 A. The weighted average cost of gas rate for the 2015 Summer Period was approximately
4 \$0.3315 per therm. This was determined by applying the actual monthly cost of gas rates
5 for May 2015 through October 2015 to the monthly therm usage of an average residential
6 heating customer using 154 therms for the six summer period months, for heat, hot water,
7 and cooking (see Schedule 8, page 1 of 5, for more details).

8 **III PRIOR PERIOD RECONCILIATION**

9 **Q. Has the Company filed its reconciliation of the Summer 2015 Cost of Gas in Docket**
10 **No. DG 15-091?**

11 A. Yes, the Company filed its reconciliation of the Summer 2015 Cost of Gas on January 29,
12 2016.

13 **Q. Does the Company have any corrections to make to that filing?**

14 A. No.

15 **Q. Please explain the reasons for the prior period under collection of \$963,754.**

16 A. Over the 2015 Summer Period, allowable gas costs of \$8,075,697 plus the prior Summer
17 Period over collection of \$984,385 was \$963,754 higher than the actual Gas Cost
18 Revenue of \$8,096,328. The under collection of \$963,754 is primarily due to lower than
19 normal sales and the timing of some accounting adjustments that moved credits from the
20 Summer period to the Winter period.

IV CUSTOMER BILL IMPACTS

Q. What is the estimated impact of the proposed firm sales cost of gas rate on an average heating customer's seasonal bill as compared to the rates in effect last year?

A. The bill impact analysis is presented as Schedule 8 of this filing. The total bill impact for an average residential heating customer is an increase of approximately \$29.53 (\$12.39 of the total bill impact is related to the COG only), or 12.67% as compared to the 2015 Off Peak season. The total bill impact for an average commercial/industrial G-41 customer is an increase of approximately \$173.47, or 43.26% as compared to the average COG and LDAC for the 2015 Off Peak season. Schedule 8 of this filing provides more detail of the impact of the proposed rate adjustments on heating customers.

V LOCAL DISTRIBUTION ADJUSTMENT CHARGE

Q. Is the Company proposing any changes to the Local Distribution Adjustment Charge in this filing?

A. The Company is not proposing any changes to the LDAC in this filing. The LDAC is adjusted as part of the winter period cost of gas proceeding.

Q. What does the Company plan to do to educate customers about the rate changes?

A. On April 1, 2016 the Company will be posting information regarding this filing on its website. Once the rates are approved, they will be posted on the website by May 1, 2016. The May bills will include on-bill messaging along with a bill insert reminding customers of the new rates, and directing them to the website for more information.

1 **Q. Does this conclude your testimony?**

2 A. Yes, it does.

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