REDACTED

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

Docket No. DG 18-XXX

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities
Winter 2018/2019 Cost of Gas Filing for EnergyNorth's Keene Division

DIRECT TESTIMONY

OF

DEBORAH M. GILBERTSON

AND

CATHRINE A. McNAMARA

September 19, 2018

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I. INTRODUCTION

Q. Please state your full name, business address, and positions.

A. My name is Deborah M. Gilbertson. My business address is 15 Buttrick Road, Londonderry, New Hampshire. My title is Senior Manager, Energy Procurement.

My name is Catherine A. McNamara. My business address is 15 Buttrick Road, Londonderry, New Hampshire. My title is Analyst II, Rates and Regulatory Affairs.

Q. By whom are you employed?

A. We are employed by Liberty Utilities Service Corp. ("Liberty"), which provides services to Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities ("EnergyNorth" or "the Company") and Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities.

Q. On whose behalf are you testifying?

A. We are testifying on behalf of EnergyNorth,

Q. Please describe your educational background, and your business and professional experience.

A. Ms. Gilbertson:

I graduated from Bentley College in Waltham, Massachusetts, in 1996 with a Bachelor of Science in Management. In 1997, I was hired by Texas Ohio Gas where I was employed as a Transportation Analyst. In 1999, I joined Reliant Energy, located in Burlington, Massachusetts, as an Operations Analyst. From 2000 to 2003, I was employed by Smart

Energy as a Senior Energy Analyst. I joined Keyspan Energy Trading Services in 2004 as a Senior Resource Management Analyst following which I was employed by National Grid from 2008 through 2011 as a Lead Analyst in the Project Management Office. In 2011, I was hired by Liberty as a Natural Gas Scheduler and was promoted to Manager of Retail Choice in 2012. In October 2016, I was promoted to Senior Manager of Energy Procurement. In this capacity, I provide gas procurement services to EnergyNorth.

Ms. McNamara:

I graduated from the University of Massachusetts, Boston, in 1993 with a Bachelor of Science in Management with a concentration in Accounting. In November 2017, I joined Liberty as an Analyst in Rates and Regulatory Affairs. Prior to my employment at Liberty, I was employed by Eversource as a Senior Analyst in the Investment Planning group from 2015 to 2017. From 2008 to 2015, I was a Supervisor in the Plant Accounting department. Prior to my position in Plant Accounting, I was a Financial Analyst/General Ledger System Administrator within the Accounting group from 2000 to 2008.

Q. Have you previously testified in regulatory proceedings before the New Hampshire Public Utilities Commission (the "Commission")?

A. Ms. Gilbertson: Yes, I previously testified in Docket No. DG 18-052, Keene's Summer COG Filing.

Ms. McNamara: Yes, I previously testified in Keene’s Summer Cost of Gas filing, Docket No. DG 18-052, and EnergyNorth’s Cast Iron/Bare Steel Replacement Program proceeding, Docket No. DG 18-064.

Q. What is the purpose of your testimony?

A. The purpose of our testimony is to explain the Company’s proposed cost of gas rates for its Keene Division for the 2018/19 winter (peak) period to be effective beginning November 1, 2018. Our testimony will also address bill comparisons and other items related to the winter period.

II. <u>WINTER 2018/19 COST OF GAS FACTOR</u>

Q. What is the proposed firm winter cost of gas rate?

A. The Company proposes a firm cost of gas rate of $1.4056 per therm for the Keene Division as shown on proposed First Revised Page 93.

Q. Please explain the calculation of the Cost of Gas rate on tariff page Proposed First Revised Page 93.

A. Proposed First Revised Page 93 contains the calculation of the 2018/19 Winter Period Cost of Gas Rate (“COG”) and summarizes the Company's forecast of propane and compressed natural gas (“CNG”) sales and propane and CNG costs. The total anticipated cost of the gas sendout from November 1, 2018, through April 30, 2019, is $1,687,837. The information presented on the tariff page is supported by Schedules A through J that are described later in this testimony.

To derive the Total Anticipated Cost of Gas, the following adjustments have been made:

1. The prior period over-collection of $148,397 is subtracted from the anticipated cost gas sendout; and
2. Interest of $2,957 is credited to the anticipated cost of gas sendout. Schedule H shows this forecasted interest calculation for the period May 2018 through April 2019. Interest is accrued using the monthly prime lending rate as reported by the Federal Reserve Statistical Release of Selected Interest Rates.

The Non-Fixed Price Option ("Non-FPO") cost of gas rate of $1.4056 per therm was calculated by dividing the Total Anticipated Cost of Gas of $1,536,483 by the Projected Gas Sales of 1,093,088 therms. The Fixed Price Option ("FPO") rate of $1.4256 per therm was established by adding a $0.02 per therm premium to the Non-FPO rate.

Q. Please describe Schedule A.

A. Schedule A converts the gas volumes and unit costs from gallons to therms. The 1,238,185 therms represent gas sendout as detailed on Schedule B, line 3, and the unit cost of $1.3665 per therm represents the weighted average cost per therm for the winter period gas sendout as detailed on Schedule F, line 55.

Q. What is Schedule B?

A. Schedule B presents the (over)/under collection calculation for the Winter 2018/19 period based on the forecasted volumes, the cost of gas, and applicable interest amounts. The forecasted total sendout on line 3 is the sum of the weather normalized 2018/19 winter period firm sendout and company use. The forecasted Firm Sales on line 9 represent weather normalized 2018/19 winter period firm sales. The weather normalization calculations for sendout and sales are found in Schedules I and J, respectively.

Q. Are unaccounted-for gas volumes included in the filing?

A. Unaccounted-for gas is included in the firm sendout on Schedule B, line 1, and is separately displayed on line 4 of that schedule. The Company actively monitors its level of unaccounted-for volumes, which amounted to 3.24% for the twelve months ended June 30, 2018.

Q. Please describe Schedules C, D, and E.

A. Schedule C presents the calculation of the total forecasted cost of gas purchases in the 2018/19 winter period, segregated by Propane Purchasing Stabilization Plan ("PPSP") purchases, available storage deliveries from EnergyNorth's Amherst facility, CNG deliveries, spot purchases, and other items. Schedule D presents the structure of PPSP pre-purchases for the winter period, monthly average rates for the pre-purchases, and the resulting weighted average contract price for the winter period as used in Schedule C, line 7. Schedule E presents the forecast of the unit cost for spot purchases as used in Schedule C, lines 32-38.

Q. Please describe the Propane Purchasing Stabilization Plan (PPSP).

A. The PPSP, as approved in Order No. 24,617 in Docket DG 06-037, was again implemented for the winter 2018/19. As shown on Schedule D, the Company pre-purchased 575,000 gallons of propane between April and September at a weighted average price of $1.1766 per gallon ($1.2859 per therm), inclusive of broker, pipeline, Propane Education & Research Council ("PERC"), and trucking charges in effect at the time of the supplier's bid.

Q. How was the cost of propane spot purchases determined?

A. The forecasted spot market prices of propane as shown on Schedule E, Column 1 are the Mont Belvieu propane futures quotations as of September 6, 2018. The forecasted delivered cost of these purchases is determined by adding projected broker fees, pipeline fees, PERC fees, supplier charges, and trucking charges.

Q. How was the cost of CNG purchases determined?

A. The CNG costs are shown in Schedule C, lines 24-28. These costs reflect the contractual agreement between the Company and its supplier, Xpress Natural Gas, LLC.

Q. Please describe Schedule F.

A. Schedule F contains the calculation of the weighted average cost of propane in inventory for each month through April 2019. The unit cost of propane sent out each month utilizes this weighted average inventory cost inclusive of all PPSP purchases, spot purchases, CNG deliveries, and Amherst storage withdrawals. Schedule F also shows the weighted average cost of inventory in the Amherst facility. The Amherst facility is re-filled each summer in advance of the winter period.

Q. What is shown on Schedule G?

A. Schedule G shows the over-collected balance for the prior winter 2017/18 period, including interest calculated in a manner consistent with prior years. The over-collected balance of $148,397 (line 21) is shown on Schedule H, line 1, Column 1.

Q. How is the information in Schedule H represented in the cost of gas calculation?

A. Schedule H presents the interest calculation on (over)/under collected balances through April 2019. The prior period over-collection plus interest on that balance through October 31, 2018, is included on Schedule B, line 14, in the "Prior" column. The forecasted monthly interest for the winter 2018/19 period in Column 7 is included on Schedule B, line 13. The prior period over-collection plus the total interest amount is also included on the tariff page.

III. <u>FIXED PRICE OPTION PROGRAM</u>

Q. Please describe the FPO program that will be in place for the winter period.

A. The Company will offer the FPO program for the upcoming winter period to provide customers the opportunity to lock in their cost of gas rate. Enrollment in the program is limited to 50% of forecasted winter sales, with allotments made available to both residential and commercial customers on a first-come, first-served basis. The Company is forecasting that 19.0% of total sales volumes will enroll in the FPO program, a level lower than the 25.0% participation rate last winter and somewhat lower than the 20.0% average for the previous three offerings.

Q. Will a premium be applied to the FPO rate?

A. Yes. As approved in Order No. 24,516 in Docket DG 05-144, the Company has added a $0.02 per therm premium to the Non-FPO cost of gas rate to derive the FPO rate. The Company is not seeking an increase in the premium because participation, based on prior customer behavior, is expected to remain well below the 50% threshold.

Q. How will customers be notified of the availability of the FPO program?

A. A letter will be mailed to all customers on October 1 advising them of the program, the FPO rate, and the procedure to enroll.

IV. COST OF GAS RATE AND BILL COMPARISONS

Q. How does the proposed Winter 2018/19 cost of gas rate compare with the previous winter's rate?

A. The proposed Non-FPO COG rate of $1.4056 per therm is an increase of $0.1523 or 12.2% from the Winter 2017/18 beginning rate of $1.2533 per therm. The proposed FPO rate is $1.4256 per therm, representing an increase of $0.1848 per therm or 14.9% from last winter's fixed rate of $1.2408.

Q. What is the primary reason for the change in rates?

A. The primary reason for the increase in rates is due to an overall increase in supply costs over the 2017/18 peak period, which increased by $0.2291 per therm or 20.1%. This increase is slightly offset by the over-collection from last winter.

Q. Has there been any impact from pipeline, PERC, supplier, or trucking fees on the COG rate?

A. Yes, the pipeline tariff rate increased from \$.2169 to \$.2265 and the trucking fee increased slightly from \$.0815 to \$0.0870 per gallon.

Q. What is the impact of the Winter 2018/19 COG rate on the typical residential heat and hot water customer participating in the FPO program?

A. As shown on Schedule K-1, Column 7, lines 32 and 33, the typical residential heat and hot water FPO customer would experience an increase of \$78.54 or 14.9% in the gas component of their bills compared to the prior winter period. When the monthly customer charge and therm delivery charge are factored into the analysis, the typical customer would see a total bill decrease of \$99.59 or 9.4%, as shown on lines 35 and 36.

Q. What is the impact of the Winter 2018/19 COG rate on the typical residential heat and hot water customer choosing the Non-FPO program?

A. As shown on Schedule K-2, Column 7, lines 32 and 33, the typical residential heat and hot water Non-FPO customer is projected to see a decrease of \$15.44 or 2.5% in the gas component of their bills compared to the prior winter period. When the monthly customer charge and therm delivery charge are factored into the analysis, the typical customer would see a total bill decrease of $193.57 or 16.8%.

Q. Please describe the impact of the Winter 2018/19 COG rate on the typical commercial customer compared to the prior winter period.

A. Schedule L-1 illustrates that the typical commercial FPO customer would see a $179.24 or 14.9% increase in the gas component of their bill and a 6.7% decrease in their total bill. Schedule L-2 shows that the typical commercial Non-FPO customer would see decreases of $50.67 (3.6%) in the gas component of their bill and a 15.2% decrease in their total bill.

Q. Please explain the derivation of the typical residential heating usage per customer of 425 therms for the winter period.

A. The typical usage was reported in Docket No. DG.17-048, Bates 266–267. (Attachment 1).

Q. Why does typical usage differ between the 2017/18 Keene Winter COG and the 2018/19 Keene Winter COG?

A. Typical usage differs between the 2017/18 Keene Winter COG and the 2018/19 Keene Winter COG for the following reasons:

1. Previously the commercial typical use calculation included all C&I customers. The 2018/19 Keene Winter COG only includes G-41 customers.

2. The previous calculation was consumption / number of accounts (see response #3 for more detail) plus a weather normalization adjustment. The 2018/19 Keene Winter COG usage is consumption / number of equivalent bills (no weather normalization adjustment), consistent with the methodology used in DG 17-048.
3. The previously calculated consumption and number of accounts was based only on the account numbers listed both at the beginning and the end of the period. The current calculation uses the equivalent bills from the billing system.

V. <u>OTHER ITEMS</u>

Q. Please describe how the Company will meet its 7-day on-site storage requirement.

A. The Company has net storage capacity at its plant in Keene for approximately 75,000 gallons of propane. Additionally, EnergyNorth has approximately 254,000 gallons of propane (net of heel) at the Amherst storage facility located approximately 50 miles from the Keene plant. This storage facility is shared between the Keene Division and the remainder of EnergyNorth's system and also stores approximately 254,000 gallons of propane for potential use during the winter period. In addition, the Company will arrange its standard trucking commitment with Northern Gas Transport, Inc. for transportation from this storage facility to the Keene plant. Further, this winter the Company has contracted for CNG deliveries to provide service to a small section of its system. The firm trucking arrangement coupled with onsite CNG trailers are more than sufficient to meet the 7-day demand requirement for those customers being served exclusively by CNG for 2018/19 peak period.

Q. Does this conclude your testimony?

A. Yes, it does.