

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

Docket No. DG 13-251

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities
Winter 2013/2014 Cost of Gas Filing

DIRECT TESTIMONY

OF

MARK G. SAVOIE

January 31, 2014

1 **Q. Mr. Savoie, please state your full name and business address.**

2 A. My name is Mark G. Savoie. My business address is 11 Northeastern Blvd., Salem, New
3 Hampshire 03079.

4
5 **Q. By whom are you employed and in what capacity?**

6 A. In December 2012, I became employed by Liberty Energy Utilities (New Hampshire)
7 Corp. as a Utility Analyst. My primary duties include preparing the gas cost recovery
8 projections for Liberty and related reconciliations, administering the Company's tariff,
9 calculating the achieved rate of return, and appearing as a witness on rate matters.

10
11 **Q. Please describe your educational background and professional experience.**

12 A. I received a Bachelor of Science degree in Accounting in 1980 and a Master of Business
13 Administration in 1995, both at Southern New Hampshire University (formerly, New
14 Hampshire College). I have worked for regulated public utilities or a related company
15 for a total of approximately 22 years. From 2006 to 2012, I was employed by
16 Pennichuck Corporation as Manager of Financial Reporting, Business Planning and
17 Analysis. My duties included primarily Securities and Exchange Commission ("SEC")
18 reporting, tax compliance and various treasury functions. From 1985 to 1986, I was the
19 Accounting Manager for Concord Natural Gas, a wholly-owned subsidiary of
20 EnergyNorth, Inc. From 1986 to 2006, I was the Tax/SEC Accountant for EnergyNorth,

1 Inc. My primary duties as Tax/SEC Accountant included SEC reporting and Tax
2 compliance. From 1996 to 2000, I was a Rate Analyst and was subsequently promoted to
3 Manager of Regulatory Affairs for EnergyNorth. My primary duties as Rate Analyst and
4 Manager of Regulatory Affairs included determining and administering rates, including
5 calculating the cost of gas adjustment, analysis of rate of return, working capital
6 calculations, and developing, monitoring and evaluating risk management policies and
7 procedures. I also worked for approximately ten years for various public accounting
8 firms, primarily as an auditor.

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10 **Q. Do you have any professional licenses?**

11 A. Yes, I am licensed in the State of New Hampshire as a Certified Public Accountant.

12
13 **Q. Have you previously testified in regulatory proceedings before the New Hampshire
14 Public Utilities Commission (the "Commission")?**

15 A. Yes, I testified in Docket No. DG 13-251, Liberty's Winter 2013/2014 cost of gas
16 proceeding, Docket No. DG 13-085, Liberty's 2013 summer cost of gas proceeding and
17 in Docket No. DG 13-149, Liberty's Cast Iron/Bare Steel Replacement Program. I also
18 testified in a number of regulatory proceedings before the Commission from 1996 to
19 2000 on a variety of matters for EnergyNorth Natural Gas, Inc. The topics of that
20 testimony included numerous cost of gas proceedings, a recovery mechanism for costs

1 related to clean-up of manufactured gas sites (DG 99-060), the hedging program (DR 97-
2 140), the Natural Gas Price Stability Plan (DR 98-029) and a petition for approval of a
3 gas transportation agreement with AES Londonderry (DG 00-145).

4
5 **Q. What is the purpose of your testimony?**

6 A. The purpose of my testimony is to propose a revision to the Company's firm sales cost of
7 gas rates for the remainder of the Winter (Peak) 2013/2014 Period, beginning March 1,
8 2014 and ending April 30, 2014. Per Commission Order No. 25,591, dated October 31,
9 2013 in Docket DG 13-251 (Winter 2013/2014 Cost of Gas), the Company may, without
10 further Commission action, adjust the approved cost of gas rates upward by no more than
11 25 percent and downward so far as is necessary based upon its projected over- or under-
12 collection. Effective February 1, 2014, the Company increased its cost of gas rates to the
13 caps set by the Commission in Order No. 25,591.

14
15 The Company is requesting to increase its cost of gas rates further due to significant
16 increases in gas commodity costs that have occurred in recent months and to commence
17 recovery of a concomitant under-recovery based on current rates. The Company is
18 incurring a significant increase in gas costs due to the unprecedented increase in the
19 prices paid for spot natural gas purchases primarily as a result of the much colder than
20 normal temperatures experienced in December and January throughout the Company's

1 service territory and the nation in general. Mr. Francisco C. DaFonte, Sr., Director,
2 Energy Procurement, will be filing direct testimony explaining the recent increase in gas
3 commodity costs.
4

5 **Q. What are the firm sales cost of gas rates for the winter of 2013/2014 and the**
6 **maximum cost of gas rates allowed under the trigger mechanism?**

7 A. The firm sales cost of gas rates and the maximum cost of gas rates are as follows:

	Initial Cost of Gas Rate (eff. 11/1/13)	First Trigger adjustment (eff. 1/1/14)	Maximum Cost of Gas (eff. 2/1/14)	FPO Fixed Price Option (eff. 11/1/13 to 4/30/14)
Residential	\$0.8895	\$1.0196	\$1.1119	\$0.9095
C&I, low winter use	\$0.8807	\$1.0108	\$1.1009	\$0.9007
C&I, high winter use	\$0.8908	\$1.0209	\$1.1135	\$0.9108

8 (see Order 25,591 dated October 31, 2013 in DG 13-251, page 10)

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2 **Q. What are the Company's proposed revised firm sales cost of gas rates effective**
3 **March 1, 2014?**

4 A. The Company proposes an increase effective with service rendered on or after March 1,
5 2014, to the non-FPO firm sales cost of gas rates, of \$0.1322 per therm for all residential,
6 commercial/industrial high winter use, and commercial/industrial low winter use
7 customers as shown in the chart below:

	Revised Cost of Gas
Residential	\$1.2441
C&I, low winter use	\$1.2331
C&I, high winter use	\$1.2457

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9 **Q. Please explain what the Company projected for an under collection of gas costs in its**
10 **trigger filing made on January 27, 2014.**

11 A. In its last trigger filing, the Company projected a total under collection of gas costs,
12 before increasing the rates to the cap, of approximately \$12.9 million. After raising the
13 cost of gas rates to the cap effective February 1, 2014, the projected under collection was
14 \$9.3 million. The most recent analysis of the under collection is presented in Attachment
15 MGS-1 which is attached to this testimony.

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Q. Based on the projections used in the last trigger filing, what will the under collection be if the Commission grants the rate increase of \$0.1322 per therm effective March 1, 2014?

A. The Company projects that the increase in rates will decrease the projected under collection by one-third or \$3.1 million (projected therms billed of 23.5 million therms at \$0.1322 per therm). With the rate increase requested in this filing, the under collection would be reduced to \$6.2 million.

Q. Why is the Company not proposing to raise rates in an amount sufficient to reduce the entire projected under collection?

A. The Company is concerned with the total bill impact for the months of March and April 2014 if rates are increase by an amount sufficient to reduce the current under collection completely. To eliminate the projected under collection, the rate increase for March and April would have to be approximately \$0.40 per therm. As a result, the Company seeks to spread the increase in rates to recover the under collection over a longer period of time in order to mitigate the impact on customers. By recovering the under collection over a longer period, it mitigates an abrupt change in rates that would otherwise occur if the under collection were recovered over just the remaining months of the current winter period. Therefore, this proposal is consistent with the ratemaking principle of rate

1 stability in that it reduces the amount of change in rates from one month to the next.

2

3 **Q. What would be the consequence of leaving the rate unchanged for the remainder of**
4 **the current winter period?**

5 A. As stated above, absent any rate change, the under collection is currently to estimated be
6 over \$9 million. That amount would accrue carrying costs and be recovered over the next
7 winter period. It's uncertain what the cost of gas will be for the next winter period.
8 Therefore, we are proposing to change rates now to commence recovery of the under
9 collection in order to avoid having a larger under collection carry over to the next winter
10 period.

11

12 **Q. Did the Company consider other options for spreading the projected under collection**
13 **over different periods?**

14 A. Yes, it did. The Company considered collecting the projected under collection from
15 March 1, 2014 to April 30, 2015 (14 months – including 6 summer months) based on
16 projected volumes during that 14-month period. The result would increase rates for
17 March and April 2013 by \$0.0779 per therm and reduce the projected under collection by
18 approximately \$1.8 million or 19.6% as of April 30, 2014. Alternatively, collecting the
19 projected under collection over the months remaining in this winter period plus the six
20 months of the next winter period (from March 1, 2014 to April 30, 2014 and from

1 November 1, 2014 to April 30, 2015) based on projected volumes during those eight
2 winter months would increase rates for March and April 2013 by \$0.0938 per therm and
3 reduce the projected under collection by approximately \$2.2 million or 23.6% as of April
4 30, 2014. The Company concluded that collecting approximately one-third of the
5 projected under collection in March and April of 2014 was a more reasonable alternative,
6 while still providing flexibility to consider spreading the under collection over a longer
7 period. The above analysis is presented in Attachment MGS-2.

8

9 **Q. When does the Company propose to collect the remaining projected under collection?**

10 A. The Company is considering including in its 2014 summer cost of gas filing the potential
11 collection of a portion of the remaining winter 2013/2014 under collection during the
12 2014 summer period. Alternatively, if the 2013 summer period has an over collection,
13 the Company may propose applying that over collection to the winter period to mitigate
14 the winter period under collection. The Company is considering a variety of options and
15 has not ruled out any single course of action (other than recovery of the entire under
16 collection over the months of March and April 2014).

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Q. Is the Company seeking any changes, other than to the cost of gas rate charged, to its tariff as a result of this proposal?

A. Not at this time. However, the Company intends to discuss with Staff in the near future whether the 25% cap should be raised for future filings.

Q. What is the estimated impact of the proposed revised firm sales cost of gas rates on an average residential heating customer's bill as compared to the rates effective February 1, 2014?

A. The estimated total bill impact for an average residential heating customer using 108 therms per month is an increase of approximately \$14, or 8.4%. The bill impact analysis is presented in Attachment MGS-3 for rates R-1, G-41, G-42 and G-52.

Q. What is the estimated impact of the proposed revised firm sales cost of gas rates on an average residential heating customer's bill as compared to the initially approved rates in DG 13-251?

A. The estimated total bill impact for an average residential heating customer using 108 therms per month is an increase of approximately \$38, or 26.2%. The bill impact analysis is presented in Attachment MGS-3 for rates R-1, G-41, G-42 and G-52.

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

2 A. Yes, it does.