



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

Docket No. DG 15-\_\_\_\_

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities  
Summer 2015 Cost of Gas Filing

**DIRECT TESTIMONY**

**OF**

**DAVID B. SIMEK**

March 17, 2015

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1 **I INTRODUCTION**

2 **Q. Please state your full name and business address.**

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

5  
6 **Q. Please state by whom you are employed and your position?**

7 A. I am a Lead Utility Analyst for Liberty Energy Utilities (New Hampshire) Corp.  
8 (“Liberty Energy NH”) which is the sole shareholder of Liberty Utilities (EnergyNorth  
9 Natural Gas) Corp. d/b/a Liberty Utilities (“EnergyNorth” or the “Company”) and  
10 provides service to EnergyNorth. I am responsible for providing rate-related services for  
11 the Company.

12  
13 **Q. Please describe your educational background and training.**

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

19

1 **Q. What is your professional background?**

2 A. In August of 2013, I joined Liberty Energy NH as a Utility Analyst and I was promoted  
3 to a Lead Utility Analyst in December 2014. Prior to my employment at Liberty Energy  
4 NH, I was employed by NSTAR Electric & Gas (“NSTAR”) as a Senior Analyst in  
5 Energy Supply from 2008 to 2012. Prior to my position in Energy Supply at NSTAR, I  
6 was a Senior Financial Analyst within the NSTAR Investment Planning group from 2004  
7 to 2008.

8  
9 **Q. Have you previously testified in regulatory proceedings before the New Hampshire  
10 Public Utilities Commission (the “Commission”)?**

11 A. Yes. I recently provided written and oral testimony before the Commission in Dockets  
12 DE 14-031, DG 14-220 and DE 14-340.

13  
14 **Q. What is the purpose of your testimony?**

15 A. The purpose of my testimony is to explain the Company’s proposed firm sales cost of gas  
16 rates for the 2015 Summer (“Off Peak”) Period to be effective beginning May 1, 2015.

17  
18 **II COST OF GAS FACTOR**

19 **Q. What are the proposed 2015 summer firm sales cost of gas rates?**

20 A. The Company proposes a firm sales cost of gas rate of \$0.3464 per therm for residential

1 customers, \$0.3089 per therm for commercial/industrial low winter use customers and  
2 \$0.3613 per therm for commercial/industrial high winter use customers as shown on  
3 Proposed Twenty-First Revised Tariff Page 87.  
4

5 **Q. Would you please explain tariff pages Proposed Sixth Revised Page 86 and**  
6 **Proposed Twenty-First Revised Page 87?**

7 A. Proposed Sixth Revised Page 86 and Proposed Twenty-First Revised Page 87 contain the  
8 calculation of the 2015 Summer Period Cost of Gas Rate and summarize the Company's  
9 forecast of firm gas sales, firm gas sendout and gas costs. Proposed Twenty-First  
10 Revised Page 87 shows that the 2015 Average Cost of Gas of \$0.3464 per therm is  
11 derived by adding the Direct Cost of Gas Rate of \$0.3414 per therm to the Indirect Cost  
12 of Gas Rate of \$0.0050 per therm. The estimated total Anticipated Direct Cost of gas is  
13 \$7,050,943 and the estimated Indirect Cost of Gas is \$103,590. The Direct Cost of Gas  
14 Rate and the Indirect Cost of Gas Rates are determined by dividing each of these total  
15 cost figures by the projected firm sales volumes of 20,651,423 therms. Proposed Twenty-  
16 First Revised Page 87 further shows that the Residential Cost of Gas Rate of \$0.3464 per  
17 therm is equal to the Average Cost of Gas for all firm sales customers. It also shows the  
18 calculation of the Commercial/Industrial Low Winter Use Cost of Gas Rate of \$0.3089  
19 per therm and the Commercial/Industrial High Winter Use Cost of Gas Rate of \$0.3613  
20 per therm.

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The calculation of the Anticipated Direct Cost of Gas is shown on Proposed Sixth Revised Page 86. To derive the total Anticipated Direct Cost of Gas of \$7,050,943 the Company starts with the Unadjusted Anticipated Cost of Gas of \$8,291,543 and adds the Net Adjustment totaling \$(1,240,600) (an over 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	\$4,555,574
2. Purchased Gas Supply Costs	3,743,899
3. Storage Gas Commodity Costs	-
4. Produced Gas Cost	140,611
5. Hedged Contract Costs/(savings)	<u>(148,540)</u>
<b>Total Unadjusted Anticipated Cost of Gas</b>	<b>\$8,291,543</b>

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

A. The adjustments to gas costs, listed on Proposed Sixth Revised Page 86, are as follows:

1. Prior Period (Over)/Under Collection	\$(1,210,302)
2. Interest	<u>(30,298)</u>
<b>Total Adjustments</b>	<b><u>\$(1,240,600)</u></b>

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

A. As of March 6, 2015, the six-month NYMEX futures price strip for the 2015 summer was \$0.2928 per therm compared to \$0.4599 in the 2014 summer filing. The NYMEX strip for this summer reflects current and projected market conditions in the gas industry nationally. The current Cost of Gas (“COG”) reflects an decrease from 2014 primarily resulting from the decrease in NYMEX pricing.

**Q. How does the proposed average cost of gas rate in this filing compare to the initial cost of gas rate approved by the Commission for the 2014 Summer Period?**

A. The cost of gas rate proposed in this filing is \$0.1972 per therm lower than the initial rate approved by the Commission for the 2014 Summer Period (\$0.3464 vs. \$0.5436). This decrease is due to: (1) a decrease of \$0.1878 per therm in net gas costs (\$0.0362 per therm increase in demand costs and \$0.2240 per therm decrease in commodity costs); (2) a decrease of \$0.0064 per therm in indirect gas costs; and (3) a decrease of \$0.0030 per therm primarily due to a prior period over collection of \$1,123,162 that has been included in the 2015 summer cost of gas calculation.

1 **Q. What was the actual weighted average firm sales cost of gas rate for the 2014**  
2 **Summer Period?**

3 A. The weighted average cost of gas rate for the 2014 Summer Period was approximately  
4 \$0.5062 per therm. This was determined by applying the actual monthly cost of gas rates  
5 for May 2014 through October 2014 to the monthly therm usage of an average residential  
6 heating customer using 148 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

9 **III PRIOR PERIOD RECONCILIATION**

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11 **Q. Has the Company filed its reconciliation of the Summer 2014 Cost of Gas in Docket**  
12 **No. DG 14-076?**

13 A. Yes, the Company filed its reconciliation of the Summer 2014 Cost of Gas on February 2,  
14 2015. A revised reconciliation of the Summer 2014 filing was made March 13, 2015.  
15 The Company's revised "Summer 2014 Cost of Gas Results" is included as Schedule 14  
16 of this filing.

17

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

19 A. Yes, the "Summer 2014 Cost of Gas Results" will be finalized pending the NHPUC audit  
20 results.



1 **Q. Please explain the reasons for the prior period over collection of \$1,210,302.**

2 A. Over the 2014 Summer Period, allowable gas costs of \$8,282,839 minus the prior  
3 Summer Period over collection of \$1,164,050 was \$1,210,302 under the actual Gas Cost  
4 Revenue of \$8,329,091. The net result is an ending over collection balance of  
5 \$1,210,302 as of November 1, 2014 as shown on the 2014 Summer Period Reconciliation  
6 Analysis. Comparing the actual revenues billed and the gas costs incurred to the  
7 forecasted amounts that the Company projected in its initial 2014 Summer Period Cost of  
8 Gas filing, the over collection of \$1,202,302 is primarily attributable to a \$3,189,203  
9 decrease in the actual cost of gas as compared to original projections. In addition,  
10 interest on the prior period under collection was \$61,525 lower than forecasted.  
11 Offsetting these factors, cost of gas revenue was \$2,082,109 lower than forecasted due to  
12 lower sales, the occupant billing adjustment (as provided for in the settlement approved  
13 in Docket No. DG 07-129) was \$41,715 lower than forecasted, and overhead cost was  
14 \$2,833 higher than forecasted.

15

16 **IV CUSTOMER BILL IMPACTS**

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

19 A. The bill impact analysis is presented as Schedule 8 of this filing. The total bill impact for  
20 an average residential heating customer is a decrease of approximately \$16.56, or 22.05%

1 as compared to the average COG and LDAC for the 2014 Off Peak season. The total bill  
2 impact for an average commercial/industrial G-41 customer is a decrease of  
3 approximately \$40.85, or 24.88% as compared to the average COG and LDAC for the  
4 2014 Off Peak season. Schedule 8 of this filing provides more detail of the impact of the  
5 proposed rate adjustments on heating customers.  
6

7 **V OTHER ISSUES**

8 **Q. What are Occupant Accounts and has the Company included in this filing actual**  
9 **historical Occupant Account data as specified in Section E.3 of the Occupant**  
10 **Settlement approved in Docket No. DG 07-129?**

11 A. Occupant Accounts are accounts established by the Company for premises where the last  
12 identified customer has requested termination of service, a final meter reading has  
13 occurred and gas usage exceeds 13 ccf since that final meter reading without a new  
14 customer having applied for service. The cost of gas supplied to Occupant Accounts is  
15 recovered through the COG subject to certain limitations specified in the Settlement. The  
16 Company has provided historical data for Occupant Accounts for the period July 2014  
17 through February 2015 that details the number of open and closed Occupant Accounts  
18 along with detailed monthly arrearage information as Schedule 15 in this filing.  
19

1 **VI LOCAL DISTRIBUTION ADJUSTMENT CHARGE**

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

4 A. The Company is not proposing any changes to the LDAC in this filing. The LDAC is  
5 adjusted as part of the winter period cost of gas proceeding.  
6

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

8 A. On April 1, 2015 the Company will be posting information regarding this filing on its  
9 website. Once the rates are approved, they will be posted on the website by May 1, 2015  
10 and a press release will be issued. The May bills will include on-bill messaging along  
11 with a bill insert reminding customers of the new rates, and directing them to the website  
12 for more information.  
13

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

15 A. Yes, it does.

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