REDACTED

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

Docket No. DG 17-XXX

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities Keene Division
Winter 2017/2018 Cost of Gas Filing

DIRECT TESTIMONY

OF

DEBORAH M. GILBERTSON

AND

DAVID B. SIMEK

September 15, 2017

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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 David B. Simek. My business address is 15 Buttrick Road, Londonderry, New Hampshire. My title is Manager, 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's Keene Division ("Keene Division").

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

A. (DMG) 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 Sr. Energy Analyst. In 2004, I joined Keyspan Energy

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

(DBS) 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. In August 2013, I joined Liberty Energy Utilities (New Hampshire) Corp.as a Utility Analyst. In August 2017, I was promoted to Manager, Rates and Regulatory Affairs. I now work for Liberty Utilities Service Corp. and in this capacity, I provide rate related services to EnergyNorth. Prior to my employment at Liberty Utilities Service Corp., I was employed by NSTAR Electric & Gas (now Eversource Energy) as a Senior Analyst in Energy Supply from 2008 to 2012. Prior to my position in Energy Supply, I was a Senior Financial Analyst within the NSTAR Electric & Gas Investment Planning group from 2004 to 2008.

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

A. (DMG) Yes, I previously testified in Docket No. DG 17-047.

(DBS) Yes, I have testified on numerous occasions before the Commission.

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 2017/18 Winter (Peak) Period to be effective beginning November 1, 2017. Our testimony will also address bill comparisons and other items related to the winter period.

II. WINTER 2017/18 COST OF GAS FACTOR

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

A. The Company proposes a firm cost of gas rate of $1.2208 per therm for the Keene Division as shown on proposed Thirteenth Revised Page 18.

Q. Please explain the calculation of the Cost of Gas Rate on tariff page Proposed Thirteenth Revised Page 18.

A. Proposed Thirteenth Revised Page 18 contains the calculation of the 2017/18 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, 2017, through April 30, 2018, is $1,374,501. The information presented on the tariff page is supported by Schedules A through J that will be described later in this testimony.

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

1. The prior period over-collection of $29,372 is added to the anticipated cost gas sendout.

2. Interest of $961 is added to the anticipated cost of the gas sendout. Schedule H shows this forecasted interest calculation for the period May 2017 through April 2018. 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 $1.2208 per therm was calculated by dividing the Total Anticipated Cost of $1,346,090 by the Projected Gas Sales of 1,102,601 therms. The Fixed Price Option ("FPO") rate of $1.2408 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 1,213,245 therms represent gas sendout as detailed on Schedule B, Line 3, and the unit cost of $1.1375 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 2017/18 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 2017/18 winter period firm sendout and company use. The forecasted Firm Sales on Line 10 represent weather normalized 2017/18 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 3.32% for the twelve months ended June 30, 2017.

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

A. Schedule C presents the calculation of the total forecasted cost of gas purchases in the Winter 2017/18 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 2017/18. As shown on Schedule D, the Company pre-purchased 575,000 gallons of propane between April and September at a weighted average price of $1.0083 per gallon ($1.1019 per therm), inclusive of broker, pipeline, Propane Education & Research Council ("PERC") and trucking charges in effect at the time of the supplier's bid (April 7, 2017).

Q. Why have the PPSP volumes decreased for the 2017/18 winter period?

A. The PPSP volumes were reduced by 150,000 gallons to account for the lower volume of propane purchases that will be required this winter due to the conversion of a small section of the Company's system to CNG.

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 8, 2017. 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 (XNG).

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 2018. 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 Schedule G?

A. Schedule G shows the over-collected balance for the prior Winter 2016/17 period, including interest calculated consistent with the way New Hampshire Gas did the calculation prior to the EnergyNorth acquisition. The over-collected balance of $29,372 (Line 20) is shown on Schedule H, Line 1, Column 1.

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

A. Schedule H presents the interest calculation on (over)/under collected balances through April 2018. The prior period over-collection plus interest on that balance through October 31, 2017, is included on Schedule B, Line 15, in the "Prior" column. The forecasted monthly interest for the Winter 2017/18 period in Column 7 is included on Schedule B, Line 14. The prior period over-collection plus the total interest amount is also included on the tariff page.

III. FIXED PRICE OPTION PROGRAM

Q. Will the Company offer an FPO program for the Winter 2017/18 period?

A. Yes, 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 25% of total sales volumes will enroll in the FPO program, a level higher than the 19.32% participation rate last winter and somewhat lower than the 25.34% 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 and the procedure to enroll.

IV. COST OF GAS RATE AND BILL COMPARISONS

Q. How does the proposed Winter 2017/18 cost of gas rate compare with the previous winter's rate?

A. The proposed Non-FPO COG rate of \$1.2208 per therm is a decrease of \$0.2944 or 19.4% from the Winter 2016/17 beginning rate of \$1.5152 per therm. The proposed FPO rate is \$1.2408 per therm, representing a decrease of \$0.2944 per therm or 19.2% from last winter's fixed rate of \$1.5352.

Q. What are the primary reasons for the change in rates?

A. The primary reasons for the reduction in rates is due to production costs no longer being recovered through the cost of gas and that Winter 2016/17 was projected to begin with a

$401,719 under-collection while Winter 2017/18 is projected to begin with a $29,995 over-recovery. These reductions are slightly offset by a 59% NYMEX average future price increase between the two periods.

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

A. Yes, the pipeline tariff rate increased by less than 1%, the PERC fee increased slightly (from $0.0004 to $0.00045 per gallon), the estimated supplier charge is unchanged from last year, and the trucking fee has been updated to reflect a higher rate of $0.0815 per gallon.

Q. What is the impact of the Winter 2017/18 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 a decrease of $173.69 or 19.2% 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 $173.69 or 10.8%, as shown on lines 35 and 36.

Q. What is the impact of the Winter 2017/18 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 $175.98 or 19.6% 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 $175.98 or 11.0%.

Q. Please explain the derivation of the typical residential heating usage per customer of 590 therms for the winter period.

A. The typical usage was determined by defining a residential heating customer as one that uses 60% or more of their annual usage in the five winter months, and uses at least 100 therms in that period. The actual usage was adjusted by the normal degree-day difference. This typical usage level is lower than regional norms due to: i) the Company’s residential customer base containing many apartment units; ii) significant use of alternate heating sources to supplement propane-fired furnaces; and iii) the tendency of larger homes on larger lots to install propane tanks.

Q. Please describe the impact of the Winter 2017/18 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 $580.05 or 19.2% decrease in the gas component of their bill and an 11.7% decrease in their total bill. Schedule L-2 shows that the typical commercial Non-FPO customer would see decreases of $630.52 (20.8%) in the gas component of their bill and a 12.7% decrease in their total bill.

V. OTHER ITEMS

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, as a result of its purchase by Liberty Utilities in January 2015, the Company now 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 with EnergyNorth, which 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 2017/18 peak period.

Q. Is the Company requesting a waiver of N.H. Code Admin. Rule Puc 1203.05, which requires rate changes to be implemented on a service-rendered basis?

A. Yes, the Company is requesting a waiver of N.H. Code Admin. Rule Puc 1203.05 as was granted in previous cost of gas and delivery rate proceedings. First, the Company’s customers are accustomed to rate changes on a bills-rendered basis and an alteration in policy may result in customer confusion. Second, the Company’s billing system is not designed to accommodate a change to billing on a service-rendered basis, and such a change would necessitate the modification or replacement of the system at a substantial cost.

Q. Does this conclude your testimony?

A. Yes, it does.