REDACTED

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

Docket No. DG 20-XXX

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities
Winter 2020/2021 Cost of Gas Filing for EnergyNorth's Keene Division

DIRECT TESTIMONY

OF

DEBORAH M. GILBERTSON,

CATHERINE A. McNAMARA,

AND

DAVID B. SIMEK

September 17, 2020

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I. INTRODUCTION

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

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

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

(DS) 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.

Q. Ms. Gilbertson, please describe your educational background, and your business and professional experience.

A. 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.

Q. Ms. McNamara, please describe your educational background, and your business and professional experience.

A. 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. Mr. Simek, please describe your educational background, and your business and professional experience.

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, earned a Graduate Certificate in Power Systems Management from Worcester Polytechnic Institute. In August 2013, I joined Liberty as a Utility Analyst and I was promoted to Manager, Rates and Regulatory Affairs in August 2017. Prior to my employment at Liberty, I was employed by NSTAR Electric & Gas ("NSTAR") as a Senior Analyst in Energy Supply from 2008 to 2012. Prior to my position in Energy Supply at NSTAR, I was a Senior Financial Analyst with the NSTAR Investment Planning group from 2004 to 2008.

Q. Ms. Gilbertson, Ms. McNamara, and Mr. Simek, have you previously testified in regulatory proceedings before the New Hampshire Public Utilities Commission (the "Commission")?

A. Yes, we have.

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 2020/2021 winter (peak) period to be effective beginning November 1, 2020. Our testimony will also address bill comparisons and other items related to the winter period.

II. WINTER 2020/2021 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 $1.2100 per therm for the Keene Division as shown on proposed Twelfth Revised Page 93.

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

A. Proposed Twelfth Revised Page 93 contains the calculation of the 2020/2021 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, 2020, through April 30, 2021, is $1,310,953. 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 under-collection of $30,171 is added from the anticipated cost of gas sendout; and
2. Interest of $55 is added to the anticipated cost of gas sendout. Schedule H shows this forecasted interest calculation for the period May 2020 through April 2021. 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 $1.2100 per therm was calculated by dividing the Total Anticipated Cost of Gas of $1,341,179 by the Projected Gas Sales of 1,108,419 therms. The Fixed Price Option ("FPO") rate of $1.2300 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 1,185,353 therms represent gas propane sendout as detailed on Schedule B, line 3, plus the CNG Sendout as detailed on line 8. The unit cost of $1.0367 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 2020/2021 period based on the forecasted volumes, the cost of gas, and applicable interest amounts. The forecasted total propane sendout on line 3, plus total CNG sendout on line 8, is the sum of the weather normalized 2020/2021 winter period firm sendout and company use. The forecasted Firm Sales on line 26 represent weather normalized 2020/2021 winter period firm sales. The weather normalization calculations for sendout and sales are found in Schedules I and J, respectively.

Q. Are CNG demand charges included in this filing?

A. Yes, CNG demand charges are included in Schedule B on lines 10 and 11.

Schedule B, line 11 includes 80% of the 2020/2021 demand charges. These charges are [redacted] per month or [redacted] for the season and represent the portion attributable to the winter period.

Schedule B, line 12 contains 80% of one third of the total CNG demand charges for the period August 2017 through September 2019. These charges are [redacted] for the season or [redacted] per month.

Q. How were the demand charges for the August 2017 through September 2019 calculated?

A. The demand charges for the 26 months are [redacted] per month for a total of [redacted]. The [redacted] was then divided by three (the Company is proposing to amortize the cost over three years) to get an annual total of [redacted] The current annual charges are split 80/20 between winter and summer. [redacted] x 80% total [redacted]. The resulting winter period charge is [redacted] which divided by six results in a monthly charge of [redacted].

Q. What is the basis for including the demand charges from August 2017 through September 2019 in this filing?

A. The Company was expecting to put the CNG facility online in 2017 and, therefore, it was prudent to have a contract in place. See Order No. 26,065 (Oct. 20, 2017) (confirming that Liberty had the right to distribute natural gas in Keene), and Order No. 26,067 (Oct. 31, 2017) (acknowledging Liberty's plans to provide CNG service during the 2017–2018 winter). This was the first time that Liberty or the Staff had been involved with connecting CNG to the Company's distribution system and there were unknown obstacles and delays involved with getting the installation finalized to the satisfaction of all parties. However, the Company needed to be ready at any point during the period from August 2017 through September 2019, as we could have received the go-ahead to put the CNG system online at any time. Indeed, the Commission recognized that the Company planned to begin providing CNG in the fall of 2017, and left open the possibility that CNG could flow during the 2017–2018 winter:

> "We recognize that while Liberty-Keene is forecasting the use of CNG this winter, the introduction of CNG into the Keene system will not occur by the proposed effective date of these rates (November 1) due to the safety requirements laid out in our order in DG 17-064. Thus, we will not approve the proposed 2017–2018 winter COG rates as filed and will require Liberty-Keene to refile COG rates that remove any costs of CNG."

Order No. 26,067 at 5-6 (Oct. 31, 2017). The Commission approved the inclusion of CNG in the summer 2018 Keene cost of gas rate, Order No. 26,126 (May 1, 2018). Since we had to be ready to serve customers when that took place, it was reasonable to incur the demand charges beginning in the fall of 2017.

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

A. Unaccounted-for gas is included in the firm sendout on Schedule B, lines 1 and 8. The Company actively monitors its level of unaccounted-for volumes, which amounted to 0.56% for the twelve months ended June 30, 2020.

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

A. Schedule C presents the calculation of the total forecasted cost of gas purchases in the 2020/2021 winter period, segregated by Propane Purchasing Stabilization Plan ("PPSP") purchases, available storage deliveries from EnergyNorth's Amherst facility, CNG deliveries, and spot purchases. In prior filings, Schedule C was presented in gallons; however, in order to attain consistency with the other schedules in this filing, the unit of measure on Schedule C has been changed to therms.

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 5.

Schedule E presents the forecasted market spot prices of propane. Column 1 of the schedule represents the Mont Belvieu propane futures quotations as of September 11, 2020, followed by projected broker fees, pipeline fees, PERC fees, supplier charges, and trucking charges. Together, the pricing and fees make up the expected cost of spot propane purchases as represented in Schedule C, line 31.

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 2020/2021. As shown on Schedule D, the Company pre-purchased 700,000 gallons of propane between April and September at a weighted average price of $0.8288 per gallon ($0.9058 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. Has the pre-purchased volumes in the PPSP changed since 2019-20?

A. No. The volume remains at 700,000 gallons or 640,500 therms. The Keene Division maintains a pre-purchase hedge of approximately 63%, which is consistent with prior years.

Q. How was the cost of CNG purchases determined?

A. The CNG costs are shown in Schedule C, lines 19 through 26. 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 inventory for each month through April 2021. The unit cost of projected gas to be sent out each month utilizes this weighted average inventory cost, which is inclusive of all PPSP purchases, spot purchases, Amherst storage withdrawals, and CNG deliveries. Note that the CNG deliveries are shown in separate columns from the propane-weighted cost but are included in the average winter rate, which is established on line 55 of Schedule F. This mix of supply purchases is also itemized on Schedule C.

Q. What is shown on Schedule G?

A. Schedule G shows the over-collected balance for the prior winter 2019/2020 period, including interest calculated in a manner consistent with prior years. The over-collected balance of $26,354 (line 31) 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 and adjustments on (over)/under-collected balances through April 2021. The prior period over-collection of ($26,354) plus adjustments of $56,197 plus interest of $328 on that balance through October 31, 2020, are included on Schedule B, line 32, in the "Prior" column for a total of $30,171. The adjustments of $56,197 are primarily due to the reversal of the prior period unbilled revenue accrual for $40,599 and the remainder is due to the timing of customer cancel and rebills related to a faulty meter for a large customer that had to be replaced. The forecasted monthly interest of $52 for the winter 2020/2021 period in Column 8 is included on Schedule B, line 31. The adjusted prior period under-collection plus the interest amount is also included on the tariff page.

III. FIXED PRICE OPTION PROGRAM

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% of total sales volumes will enroll in the FPO program. The 19% is the five-year average FPO participation rate from winter 2015/2016 through the winter of 2019/2020.

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 of $1.2300 per therm. 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 by 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 2020/2021 cost of gas rate compare with the previous winter's rate?

A. The proposed Non-FPO COG rate of $1.2100 per therm is an increase of $0.2608 or 27.5% from the winter 2019/2020 beginning rate of $0.9492 per therm. The proposed FPO rate is $1.2300 per therm, representing an increase of $0.2608 per therm or 26.9% from last winter's fixed rate of $0.9692.

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

A. There are three main reasons for the increase in rates. Approximately $0.19 of the $0.26 increase is due to the change from over-collection from the prior period to an under-collection for the current period. Approximately $0.07 of the increase is due to the annual $72,222 of CNG demand charges from August 2017 through September 2019.

Finally, approximately $0.05 of the increase in rates is due to a billing adjustment made in May 2020 due to the faulty meter that had to be replaced for a large customer. The remaining $0.05 decrease is other.

Q. What is the impact of the Winter 2020/2021 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 30 and 31, the typical residential heat and hot water FPO customer would experience an increase of $116.57 or 26.9% in the gas component of their bills compared to the prior winter period. When the monthly customer charge, therm delivery charge and LDAC are factored into the analysis, the typical customer would see a total bill increase of $136.31 or 17.3%, as shown on lines 37 and 38. The LDAC rate used in Schedule K-1, line 32 is the LDAC rate proposed in the currently pending EnergyNorth COG Filing, Docket No. DG 20-141.

Q. What is the impact of the Winter 2020/2021 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 30 and 31, the typical residential heat and hot water Non-FPO customer is projected to see an increase of $173.02 or 47.0% in the gas component of their bills compared to the prior winter period. When the monthly customer charge, therm delivery charge and LDAC are factored into the analysis, the typical customer would see a total bill increase of $192.76 or 26.7% as shown on lines 37 and 38. The LDAC rate used in Schedule K-2, line 32 is the LDAC rate proposed in the currently pending EnergyNorth COG Filing, Docket No. DG 20-141.

Q. Please describe the impact of the Winter 2020/2021 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 $448.84 or 26.9% increase in the gas component of their bill and a 17.7% increase in their total bill. Schedule L-2 shows that the typical commercial Non-FPO customer would see increases of $676.63 (48.1%) in the gas component of their bill and a 28.9% increase in their total bill.

V. OTHER ITEMS

Q. What is the status of the CNG conversion?

A. The Company began serving customers with CNG in October 2019. Customers experienced a smooth transition from propane service to CNG service. The service territory for CNG is exclusive to the Monadnock Marketplace at this time. The current contract with Xpress Natural Gas (XNG) will expire in June 2021. In order to ensure a seamless transition from one CNG supplier to the next, if necessary, the Company has sent out a solicitation for CNG bids for the time period commencing on July 2021. The Company received several bids and is in the process of analyzing the results.

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 129,800 gallons of propane (net of heel) at the Amherst storage facility located approximately 50 miles from the Keene plant. This storage facility is partially shared between the Keene Division and EnergyNorth. 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, 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 the 2020/2021 peak period.

Q. Can you please discuss the impacts, if any, of COVID-19 and the current economic uncertainties on the demand forecast for 2020/21?

A. Although there is little definitive first-hand information pertaining to the impact of COVID-19 on this upcoming winter forecast, the Company has been gathering and assessing the impact as it unfolds. Early indicators suggest that the overall impact from April through August has been a five percent decline in demand from actual to expected demand. The Company will continue to monitor and assess the actual impact of COVID-19 on sales and demand as more information becomes available and the efforts to reopen the economy continue to evolve.

Q. Does this conclude your testimony?

A. Yes, it does.