

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

Docket No. DG 21-130

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty
Winter 2021/2022 Cost of Gas
Summer 2022 Cost of Gas

UPDATED DIRECT TESTIMONY

OF

DAVID B. SIMEK

AND

CATHERINE A. MCNAMARA

October 19, 2021



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1 **I. INTRODUCTION**

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

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

5 (CM) My name is Catherine A. McNamara. My business address is 15 Buttrick Road,
6 Londonderry, New Hampshire.

7 **Q. Please state by whom you are employed.**

8 A. We are employed by Liberty Utilities Service Corp. (“LUSC”), which provides service to
9 Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty (“EnergyNorth” or “the
10 Company”).

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

13 A. (DS) (CM) Please see our Direct Testimony, filed September 15, 2021, for our
14 educational backgrounds and business and professional experience.

15 **Q. Mr. Simek and Ms. McNamara, have you previously testified in regulatory
16 proceedings before the New Hampshire Public Utilities Commission (the
17 “Commission”)?**

18 A. Yes, we have.

1 **Q. What is the purpose of your testimony?**

2 A. The purpose of our testimony is to explain the Company's updated proposed firm sales
3 cost of gas rates for the 2021/2022 Winter (Peak) Period and the Company's proposed
4 2021/2022 Local Delivery Adjustment Clause, both effective November 1, 2021. Our
5 testimony also explains the Company's updated proposed firm sales cost of gas rates for
6 the 2022 Summer (Off-Peak) Period.

7 **II. WINTER 2021/2022 COST OF GAS FACTOR**

8 **Q. What are the proposed firm Winter sales and firm transportation cost of gas rates?**

9 A. The Company proposes a firm sales cost of gas rate of \$1.1339 per therm for residential
10 customers, \$1.1341 per therm for commercial/industrial high winter use customers, and
11 \$1.1324 per therm for commercial/industrial low winter use customers as shown on
12 Proposed Second Revised Page 95 (Bates 056). The Company proposes a firm
13 transportation cost of gas rate of \$0.0002 per therm as shown on Proposed Second
14 Revised Page 98 (Bates 058).

15 **Q. Please explain tariff page Proposed Second Revised Page 95 (Bates 056).**

16 A. Proposed Second Revised Page 95 contains the calculation of the 2021/2022 Winter
17 Period Cost of Gas Rate and summarize the Company's forecast of firm gas costs and
18 firm gas sales. As shown on Page 95, the proposed 2021/2022 Average Cost of Gas of
19 \$1.1339 per therm is derived by adding the Direct Cost of Gas Rate of \$1.0843 per therm
20 to the Indirect Cost of Gas Rate of \$0.0496 per therm. The estimated total Anticipated
21 Direct Cost of Gas, derived on Proposed Second Revised Page 95, is \$94,810,891. The
22 estimated Indirect Cost of Gas, also derived on Page 95, is \$4,338,002. The Direct Cost

1 of Gas Rate of \$1.0843 and the Indirect Cost of Gas Rate of \$0.0496 are determined by
2 dividing each of these total cost figures by the projected winter period firm sales volumes
3 of 87,443,741 therms.

4 To calculate the total Anticipated Direct Cost of Gas, the Company adds a list of
5 allowable adjustments from deferred gas cost accounts to the projected demand and
6 commodity costs for the winter period supply portfolio. These allowable adjustments,
7 shown on Proposed Second Revised Page 96 (Bates 057), total \$161,141. These
8 adjustments are added to the Unadjusted Anticipated Cost of Gas of \$94,649,751 to
9 determine the Total Anticipated Direct Cost of Gas of \$94,810,891 (slightly off due to
10 rounding).

11 **Q. What are the components of the Unadjusted Anticipated Cost of Gas?**

12 A. The Unadjusted Anticipated Cost of Gas shown on Proposed Second Page 96 (Bates 057)
13 consists of the following components:

14	1. Purchased Gas Demand Costs	\$12,887,000
15	2. Purchased Gas Commodity Costs	72,351,034
16	3. Storage Demand and Capacity Costs	981,898
17	4. Storage Commodity Costs	6,130,435
18	5. Produced Gas Cost	<u>2,299,384</u>
19	Total	<u>\$94,649,751</u>

20 **Q. What are the components of the allowable adjustments to the Cost of Gas?**

21 A. The allowable adjustments to gas costs, listed on Proposed Second Page 96 (Bates 057),
22 are as follows:

23	1. Deferred Gas Cost Prior Period Under Collection	\$1,431,639
24	2. Interest	44,085

1	3.	Fuel Inventory Revenue Requirement	335,667
2	4.	Broker Revenues	(3,600)
3	5.	Transportation COG Revenue	(6,938)
4	6.	Capacity Release Margin	(1,676,512)
5	7.	Fixed Price Administrative Cost	<u>36,800</u>
6		Total Adjustments	<u>\$,161,141</u>

7 These allowable adjustments are standard adjustments made to the deferred gas cost
8 balance through the operation of the Company's cost of gas adjustment clause. We
9 discuss the factors contributing to the prior period under collection later in this testimony.

10 **Q. How does the proposed average cost of gas rate in this filing compare to the average**
11 **cost of gas rate approved by the Commission in Docket No. DG 20-141 for the**
12 **2020/2021 winter period?**

13 A. The average cost of gas rate proposed in this filing of \$1.1339 per therm is \$0.5768 per
14 therm more than the initial rate of \$0.5571 per therm approved by the Commission in
15 Order No. 26,419 (October 30, 2020) in Docket No. DG 20-141. The \$0.5768 per therm
16 increase in the rate is primarily due to a \$48,513,696 increase in the Total Unadjusted
17 Direct Cost of Gas.

18 **Q. How does the proposed firm transportation winter cost of gas rate compare to the**
19 **rate approved by the Commission for the 2020/2021 winter period?**

20 A. The proposed firm transportation winter cost of gas rate is \$0.0002 per therm. The rate
21 approved in Docket No. DG 20-141 was \$0.0001 per therm. There is a \$0.0001 increase
22 in the firm transportation rate.

1 **Q. In the calculation of its firm transportation winter cost of gas rate, has the Company**
2 **updated the estimated percentage used for pressure support purposes?**

3 A. No. The pressure support purposes rate of 8.7% stayed the same based on the marginal
4 cost study used for the rate design approved in Docket No. DG 20-105.

5 **Q. Did the Company include a fuel inventory revenue requirement calculation in this**
6 **filing?**

7 A. Yes. The calculation is provided on Schedule 26 (Bates 207). The Company is
8 proposing to collect \$335,667 in fuel inventory revenue requirement consistent with the
9 approved rate of return in Order No. 26,505 (July 30, 2021) in Docket No. DG 20-105.
10 The impact of this amount to the overall Cost of Gas rate is \$0.0038 per therm, which is
11 determined by dividing the \$335,667 by the estimated November 2021 through October
12 2022 COG sales volumes of 87,443,741 therms.

13 **Q. How was the statutory tax rate of 27.08% on Schedule 26 calculated?**

14 A. The statutory rate of 27.08% was calculated by using a 21% federal tax rate and a 7.7%
15 tax rate for the State of New Hampshire $(0.21 + 0.077 - (0.21 \times 0.077) = 0.27083)$.

16 **Q. How was the common equity pre-tax rate of 6.640% on Schedule 26 calculated?**

17 A. The common equity pre-tax rate of 6.640% was calculated by dividing the 9.30% rate of
18 return on common equity, approved in Docket No. DG 20-105, by 0.72917 $(1 - 0.27083)$
19 [statutory tax rate – see previous question] and multiplied by 52.00% (equity component
20 of the capital structure approved in DG 20-105) $[0.093 / 0.72917 \times 0.5200 = 0.06664]$.

1 **Q. Has the bad debt percentage in this filing of 0.700% changed from the bad debt**
2 **percentage calculated in the Winter 2020/2021 Cost of Gas Reconciliation?**

3 A. Yes. The bad debt percentage of 0.70% used in this filing is the calculated rate for the
4 period of May 2020–April 2021. The bad debt percentage that was calculated in the
5 Winter 2020/2021 Cost of Gas Reconciliations for the period of May 2019–April 2020
6 was 1.1%.

7 **Q. What was the actual weighted average firm sales cost of gas rate for the 2020/2021**
8 **winter period?**

9 A. The weighted average cost of gas rate was \$0.5100 per therm (Bates 104, line 54). This
10 was calculated by applying the actual monthly cost of gas rates for November 2020
11 through April 2021 to the monthly therm usage of an average residential heating
12 customer using 667 therms for the six winter period months.

13 **Q. What is the current percentage used to calculate the maximum increase to the Cost**
14 **of Gas rate?**

15 A. The current percentage used to calculate the maximum allowed increase to the Cost of
16 Gas rate is 25% for both Winter and Summer period Cost of Gas rates.

17 **Q. Is the Company requesting an increase to the percentage used to calculate the**
18 **maximum allowed Cost of Gas Rate?**

19 A. Yes, the Company is requesting that the percentage used to calculate the maximum
20 allowed cost of Gas rate be increased for the Summer period of May through October.

1 The Company is not requesting a change to the maximum allowed percentage increase
2 applicable to the Winter period.

3 **Q. Why is the Company asking that the percentage used to calculate the maximum**
4 **allowed cost of Gas rate be increased for the summer period of May through**
5 **October?**

6 A. In the past eighteen summer months (i.e., the last three Summer periods) the Company
7 has been at the maximum allowed rate for twelve of those months. In the summer of
8 2021, the Company has been at the maximum allowed rate for all six months. The under
9 collected balance has grown to approximately \$4.5M. That under collection is the
10 beginning balance for the summer portion of this filing. In the summer of 2020, the
11 Company's calculated Cost of Gas rate was at the maximum allowed rate for three out of
12 the six months and the under collected balance grew to \$3.5M but was primarily offset by
13 an out of period accounting adjustment. Given these circumstances, the Company
14 believes the 25% used to calculate the maximum allowed Cost of Gas rate is insufficient.
15 While the 25% maximum increase was appropriate in prior years when there was a
16 separate filing for the Summer Cost of Gas rate, once the Winter and Summer periods
17 were combined into one filing, the amount of time between the filing and the effective
18 date for the Summer Cost of Gas rate increased by six months, thus increasing the
19 likelihood of the forecasted Summer Cost of Gas rate differing significantly from the
20 market conditions during the applicable summer period. One of the reasons for having a
21 "trigger" adjustment to the Cost of Gas rate it to try to reduce potential under collections

1 at the end of the rate period. As shown by the size of the under collections during the
2 recent summer periods, the 25% limit has been insufficient to serve that purpose.

3 **Q. What percentage used to calculate the maximum allowed Summer Cost of Gas Rate**
4 **is the Company asking for approval of?**

5 A. The Company is asking for the percentage used to calculate the maximum allowed
6 Summer Cost of Gas rate to be increased from 25% to 40%.

7 **Q. How did the Company determine that an increase of the maximum allowed Summer**
8 **Cost of Gas from 25% to 40% was appropriate?**

9 A. The Company did an analysis of the past four years. We started with the original summer
10 cost of gas monthly adjustment filings, removed out of period adjustments and then
11 calculated what the four-year average increase would have been if we were able to
12 increase the rates beyond 25%. The average increase was 47.2%. We then rounded
13 down to 40%.

14 **Q. Why should the Commission increase the percentage used to calculate the maximum**
15 **allowed Cost of Gas rate for the Summer period?**

16 A. When the Company reaches the maximum allowed rate, the under collected balance
17 continues to grow. In the summer of 2021, the projected under collected balance is
18 \$4,472,186. Based on the 2022 estimated summer therms of 27,125,444, the rate for next
19 summer will be starting with an increase of \$0.1649 per therm just to recover that under
20 collection. The Commission should approve the increased percentage used to calculate
21 the maximum allowed Summer Cost of Gas because the only other option is the

1 Company would be forced to file for additional rate increase approvals which would
2 defeat the purpose of having a single annual Cost of Gas filing

3 **Q. Why doesn't the Company make an interim filing when the maximum allowed Cost**
4 **of Gas is reached?**

5 A. An additional filing would be an administrative burden for all parties. The primary
6 reason for combining the winter and summer filing into one, was to reduce this
7 administrative burden.

8 **Q. Is the 25% used to calculate the maximum allowed Cost of Gas sufficient for the**
9 **Winter period?**

10 A. Yes, the 25% used to calculate the maximum allowed Cost of Gas increase, in the winter
11 period, is sufficient. The volume of therms sold is approximately 40% higher than the
12 amount of therms sold during the summer months. The same \$4.5M under collection
13 referenced above would cause an automatic increase of only \$0.0519 per therm during
14 the winter. Also, rates for the Winter Cost of Gas are calculated using more near-term
15 market information than those for the future Summer period.

16 **III. PRIOR WINTER PERIOD UNDER-COLLECTION**

17 **Q. Please explain the prior period under collection of \$1,431,639.**

18 A. The prior period under-collection is detailed in the 2020/2021 winter period
19 reconciliation that was filed with the Commission on July 29, 2021. The \$1,431,639
20 under-collection is the sum of the deferred gas cost, bad debt, and working capital over-
21 and under-collection balances as of April 30, 2021. The under-collection was driven

1 mainly by the lag in the timing of monthly cost of gas rate adjustments as compared to
2 changes in the underlying costs.

3 **IV. FIXED PRICE OPTION**

4 **Q. Has the Company established a winter period fixed price pursuant to its Fixed Price**
5 **Option Program?**

6 A. Yes. Pursuant to Order No. 24,515 in Docket No. DG 05-127, the Fixed Price Option
7 Program (“FPO”) rates are set at \$0.0200 per therm higher than the initial proposed COG
8 rate. Proposed Second Revised Page 94 (Bates 055) contains the FPO rate for the
9 2021/2022 winter period, which is \$0.9256 per therm for residential customers. This
10 compares to the FPO rate approved for the 2020/2021 winter period of \$0.5771 per therm
11 for residential customers. This represents a \$0.3485 per therm or 60.4% increase in the
12 residential FPO rate. The total bill impact on the winter period bills for an average FPO
13 heating customer using 667 therms is an increase of approximately \$232.45 or 60.4%
14 compared to last winter’s approved FPO rate. The estimated winter period bill for an
15 average residential heating customer opting for the FPO would be approximately
16 \$138.94 (or 22.5%) lower than the bill under the proposed cost of gas rates, assuming no
17 monthly adjustments to the COG rate during the course of the winter. Schedule 23 (Bates
18 204) contains the historical results of the FPO program.

19 **V. LOCAL DELIVERY ADJUSTMENT CLAUSE (“LDAC”)**

20 **Q. What are the surcharges that will be billed under the LDAC?**

21 A. As shown on Proposed Second Revised Page 101 (Bates 061), the Company is submitting
22 for approval an LDAC of \$0.1444 per therm for the residential non-heating class and

1 residential heating class, and \$0.0878 per therm for the commercial/industrial bundled
2 sales classes, effective November 1, 2021. The surcharges proposed to be billed under
3 the LDAC are the Energy Efficiency Charge, the Revenue Decoupling Adjustment
4 Factor, the Environmental Surcharge for Manufactured Gas Plant (“MGP”) remediation,
5 the Residential Gas Assistance Program charge, and the rate case expense reconciliation
6 surcharge from Docket No. DG 20-105.

7 **Q. Which customers are billed an LDAC?**

8 A. All EnergyNorth customers including those in Keene are billed an LDAC charge. When
9 calculating the LDAC charge, the November 1, 2021, through October 31, 2022,
10 forecasted Keene therm sales of 1,405,237 are added to the EnergyNorth therm sales
11 forecast of 181,424,635 for a total therm sales forecast of 182,829,872.

12 **Q. Please explain the Energy Efficiency Charge.**

13 A. The Energy Efficiency Charge is designed to recover the projected expenses associated
14 with the Company’s energy efficiency programs for the November 2021 through October
15 2022 period. In the calculation of the Energy Efficiency Charge, the Company has also
16 included the projected prior period under-recovery of the Company’s residential and
17 commercial energy efficiency programs as of October 2021. As shown on Schedule 19
18 Energy Efficiency (Bates 132–134), the proposed Energy Efficiency charge is \$0.0861
19 per therm for residential customers and \$0.0408 per therm for commercial and industrial
20 customers.

1 **Q. Please explain the Revenue Decoupling Adjustment Factor (“RDAF”).**

2 A. The purpose of the RDAF is to recover or refund, on an annual basis, the difference
3 between the Actual Base Revenue per Customer and the Benchmark Base Revenue per
4 Customer. Schedule 19 RDAF Page 3 (Bates 130) shows the prior period difference
5 (September 2020 through August 2021) between the proposed Actual Base Revenue per
6 Customer and the Benchmark Base Revenue per Customer calculation of a total under-
7 collection of \$2,426,364. Schedule 19 RDAF Page 2 (Bates 129) also includes a
8 reconciliation of the amount of prior refunds (accumulated through October 2020 and
9 refunded November 2020 through August 2021) of \$969,938 remaining to be refunded.

10 **Q. Did the Company’s original filing on September 1, 2021, filing include a schedule**
11 **showing the calculation of the reconciliation of allowed and actual revenues related**
12 **to what was formerly known as the Residential Low Income Assistance Program**
13 **(“RLIAP”)?**

14 A. Yes. In that original filing, the Company included Schedule RDAF Page 4 which
15 provided a calculation of a total amount of \$4,024,830 which, due to a lack of clarity in
16 the tariff which resulted in a mismatch between allowed and actual revenues associated
17 with the R-4 rate class, had been inappropriately refunded to customers over the prior two
18 decoupling years. Specifically, the amounts for each year were \$1,932,224 for the
19 2019/2020 year and \$2,092,605 for the 2020/2021 year. The Company’s original filing
20 had initially sought to recover the \$4,024,830 over a two-year period beginning
21 November 1, 2021. However, as discussed in various pleadings in this docket, it is clear
22 that the issue warrants further investigation and discussion among the parties. Thus, the

1 Company is requesting that the issue remain in this proceeding but on a different
2 schedule to allow for that further examination and a later hearing. Liberty notes that this
3 request is similar to an alternative set forth by the Department of Energy in its October
4 14, 2021, motion in this proceeding. Consistent with the preceding discussion, the
5 Company has retained Schedule RDAF Page 4 in this updated filing but has removed its
6 request for recovery to begin on November 1 and the associated rate impacts from the
7 associated rate schedules. The Company maintains its request to recover this amount, but
8 does not object to a later effective date to allow for further review and investigation.

9 **Q. Does the mismatch described above impact the current reconciliation period related**
10 **to revenues associated with the Gas Assistance Program (“GAP”)?**

11 A. No. As a result of changes to the tariff that were approved in Docket No. DG 20-105,
12 revenue per customer used in the allowed revenue calculations are no longer different
13 from residential customers not categorized as GAP and, thus, the allowed and actual
14 revenues for the R-4 customer class are in alignment.

15 **Q. What is the proposed Gas Assistance Program charge?**

16 A. As shown on Schedule 19 Gas Assistance (Bates 135–136), the proposed GAP charge is
17 \$0.0156 per therm. This charge is designed to recover administrative costs, revenue
18 shortfall resulting from the GAP discount, and the prior period reconciliation adjustment
19 relating to this program. For the 2021/2022 winter period, the Company is providing a
20 45% base rate and cost of gas discount, consistent with the settlement agreement
21 approved by the Commission in Order No. 26,397 (August 27, 2020) in Docket No. DG
22 20-013. The proposed Residential Gas Assistance charge is designed to recover

1 \$2,849,123, of which \$2,640,884 is for the revenue shortfall resulting from 5,320
2 customers receiving a 45% discount off their base and cost of gas rates, and \$208,239 for
3 the prior year reconciling adjustment.

4 **Q. In Order No. 24,824 (Feb. 29, 2008) in Docket No. DG 06-122 relating to short-term**
5 **debt issues, the Company agreed to adjust its short-term debt limits each year as**
6 **part of the Company's Winter Period Cost of Gas filing. Did the Company**
7 **calculate the short-term debt limit for fuel and non-fuel purposes in accordance**
8 **with this settlement?**

9 A. Yes, the Company included in Schedule 24 (Bates 205) the short-term debt limit for fuel
10 and non-fuel purposes for the 2021/2022 winter period. As shown, the short-term debt
11 limit for fuel inventory financing for the period November 1, 2021, through October 31,
12 2022, is calculated to be \$29,744,668 and the limit for non-fuel purposes is calculated to
13 be \$115,471,436.

14 **Q. Has the Company updated the Environmental Surcharge (Tariff Page 95)?**

15 A. Yes, it has. The costs submitted for recovery through the MGP remediation cost recovery
16 mechanism, as well as the third-party recoveries, are included in the Environmental Cost
17 Summary in Schedule 20 (Bates 138) of this filing. The environmental investigation and
18 remediation costs that underlie these expenses are the result of efforts by the Company to
19 respond to its legal obligations with regard to these sites, as described by Ms. Casey in
20 her pre-filed direct testimony in this proceeding and as set forth in the MGP site
21 summaries included in this filing under Schedule 20. The Summary included in Schedule
22 20 shows the remediation cost pools for the Concord Pond, Concord MGP, Manchester,

1 Nashua, and Laconia sites, and a General Pool for costs that cannot be directly assigned
2 to a specific site.

3 A summary sheet and detailed backup spreadsheets that support the 2020/2021 costs are
4 provided in Schedule 20 of this filing. Ms. Casey's testimony describes the Company's
5 activities with regard to all five sites.

6 **Q. Please describe how the Company calculated the Environmental Surcharge included**
7 **in this filing.**

8 A. The proposed Manufactured Gas Plant Remediation surcharge for the period beginning
9 November 1, 2021, and ending October 31, 2022, is \$0.0155 per therm. Consistent with
10 filings made over the past few years, this surcharge will recover a total of \$2,832,222 in
11 amortized remediation costs. The amortized actual to forecast true-up recovery costs
12 through June 2019 of \$341,389 (total amount is \$1,024,167 which is amortized over three
13 years). The \$1,024,167 is the amount approved by Order No. 26,419 in Docket No. DG
14 20-141. Also, the actual to forecast true-up recovery cost for the period July 2020
15 through June 2021 is \$139,028. The costs submitted for recovery are shown in the
16 Environmental Cost Summary included in Schedule 20 of this filing.

17 **Q. Did the Company include a Rate Case Expense (RCE) surcharge in this filing?**

18 A. Yes. As shown on Schedule 19 RCE (Bates 126–127), the Company is proposing to
19 collect \$2,214,505 in uncollected rate case and recoupment expense consistent with
20 Order No. 26,505 (July 30, 2021) in Docket No. DG 20-105. The RCE rate of \$0.0121

1 per therm is determined by dividing the \$2,214,505 by the estimated November 2021
2 through October 2022 sales volumes of 182,829,872182,829,875 therms.

3 **Q. Has the Company also updated its Company Allowance percentage for the period**
4 **November 2021 through October 2022 in accordance with Section 8 of the**
5 **Company's Delivery Terms and Condition?**

6 A. Yes, in Schedule 25 (Bates 206) the Company has recalculated its Company Allowance
7 for the period November 2021 through October 2022. The Company calculated the
8 Company Allowance of 1.22% based on sendout and throughput data for the twelve-
9 month period ending June 2021. The Company proposes to apply this recalculated
10 Company Allowance to all supplier deliveries beginning in November 2021.

11 **VI. CUSTOMER BILL IMPACTS**

12 **Q. What are the estimated impacts of the proposed firm sales cost of gas rate and**
13 **proposed LDAC surcharges on an average heating customer's winter bill as**
14 **compared to the winter rates in effect last year?**

15 A. The bill impact analysis is presented in Schedule 8 (Bates 104) of this filing. These bill
16 impacts reflect the implementation of the increases approved in Docket No. DG 20-105
17 effective August 1, 2021, relating to the EnergyNorth distribution rate case. The total bill
18 impact over the winter period for an average residential heating customer is an increase
19 of approximately \$469.43 or 55.15%. The total bill impact over the winter period for an
20 average commercial/industrial G-41 customer is an increase of approximately \$1,293.37
21 or 60.32% (Bates 105). Schedule 8 of this filing provides more detail of the impact of the
22 proposed rate adjustments on heating customers.

1 **VII. OTHER TARIFF CHANGES**

2 **Q. Is the Company updating its Delivery Terms and Conditions in the filing?**

3 A. Yes. The Company is submitting Proposed Second Revised Page 153 (Bates 062)
4 relating to Supplier Balancing and Peaking Demand Charges and Proposed Second
5 Revised Page 154 (Bates 063) relating to Capacity Allocation.

6 **Q. Please describe the changes to tariff Page 153.**

7 A. In Proposed Second Revised Page 153 (Bates 062), the Company is updating the Peaking
8 Demand Charge from \$17.32 per MMBtu of Peak MDQ to \$54.72 per MMBtu of Peak
9 MDQ. This calculation is also presented in Schedule 21 (Bates 187–197).

10 **Q. Please describe the changes to tariff Page 154.**

11 A. Proposed Second Revised Page 154 updates the Capacity Allocator percentages used to
12 allocate pipeline, storage, and local peaking capacity to high and low load factor
13 customers under the mandatory capacity assignment requirement for firm transportation
14 service. Schedule 22 (Bates 198–203) contains the six-page worksheet that backs up the
15 calculations for the updated allocators.

16 **VIII. SUMMER 2021 COST OF GAS FACTOR**

17 **Q. What are the proposed 2022 summer firm sales cost of gas rates?**

18 A. The Company proposes a firm sales cost of gas rate of \$0.5587 per therm for residential
19 customers, \$0.5593 per therm for commercial/industrial high winter use customers, and
20 \$0.5580 per therm for commercial/industrial low winter use customers as shown on
21 Proposed Third Revised Page 92 (Bates 211).

1 **Q. Please explain tariff pages Proposed Third Revised Page 91 and Proposed Third**
2 **Revised Page 92.**

3 A. Proposed Third Revised Page 91 (Bates 210) and Proposed Third Revised Page 92 (Bates
4 211) contain the calculation of the 2022 Summer Period Cost of Gas Rate and summarize
5 the Company's forecast of firm gas sales, firm gas sendout, and gas costs. On Proposed
6 Third Revised Page 92 (Bates 211), the 2022 Average Cost of Gas of \$0.5587 per therm
7 is derived by adding the Direct Cost of Gas Rate of \$0.5539 per therm to the Indirect
8 Cost of Gas Rate of \$0.0048 per therm. The estimated total Anticipated Direct Cost of
9 gas is \$15,025,844 and the estimated Indirect Cost of Gas is \$132,141. The Direct Cost
10 of Gas Rate and the Indirect Cost of Gas Rates are determined by dividing each of these
11 total cost figures by the projected Summer firm sales volumes of 27,125,444 therms.
12 Proposed Third Revised Page 92 further shows that the Residential Cost of Gas Rate of
13 \$0.5587 per therm is equal to the Average Cost of Gas for all firm sales customers. It
14 also shows the calculation of the Commercial/Industrial High Winter Use Cost of Gas
15 Rate of \$0.5593 per therm and the Commercial/Industrial Low Winter Use Cost of Gas
16 Rate of \$0.5580 per therm.

17 The calculation of the Anticipated Direct Cost of Gas is shown on Proposed Third
18 Revised Page 91 (Bates 210). To derive the total Anticipated Direct Cost of Gas of
19 \$15,025,844, the Company starts with the Unadjusted Anticipated Cost of Gas of
20 \$10,330,821 and adds the Net Adjustment totaling \$4,695,023.

1 **Q. What are the components of the Unadjusted Anticipated Cost of Gas?**

2 A. The Unadjusted Anticipated Cost of Gas consists of the following:

3	1. Purchased Gas Demand Costs	\$3,276,842
4	2. Purchased Gas Supply Costs	7,053,979
5	3. Produced Gas Costs	4,695,023
6	Total Unadjusted Anticipated Cost of Gas	<u>\$15,025,844</u>

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

8 A. The adjustments to gas costs, listed on Proposed Third Revised Page 91 (Bates 210), are
9 as follows:

10	1. Prior Period (Over)/Under Collection	\$4,472,186
11	2. Interest	<u>222,837</u>
12	Total Adjustments	<u>\$4,695,023</u>

13 **Q. How does the proposed average Residential Summer cost of gas rate in this filing
14 compare to the initial cost of gas rate approved by the Commission for the 2021
15 Summer Period?**

16 A. The cost of gas rate proposed in this filing is \$0.2439 per therm higher than the initial rate
17 approved by the Commission for the 2020 Summer Period (\$0.3148 vs. \$0.5587)
18 (Schedule 8, Bates 233). This increase is due to a projected increase in supply costs and
19 an under collection from the prior summer of \$4,472,186.

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

21 A. Yes, it does.

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