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STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

October 11, 2019 - 1:37 p.m.
Concord, New Hampshire

*** * REDACTED * ***
(For PUBLIC Use)

NHPUC 11NOV19AM11:09

RE: DG 19-145
LIBERTY UTILITIES (ENERGYNORTH
NATURAL GAS) CORP: d/b/a
LIBERTY UTILITIES:
Winter 2019/2020 Cost of Gas and
Summer 2020 Cost of Gas.

PRESENT: Cmsr. Kathryn M. Bailey, Presiding
Cmsr. Michael S. Giaimo

Sandy Deno, Clerk

APPEARANCES: **Reptg. Liberty Utilities (EnergyNorth**
Natural Gas) Corp. d/b/a Liberty
Utilities:
Michael J. Sheehan, Esq.

Reptg. Residential Ratepayers:
Christa Shute, Esq.
Office of Consumer Advocate

Reptg. PUC Staff:
Mary Schwarzer, Esq.
Stephen Frink, Dir./Gas & Water Div.
Al-Azad Iqbal, Gas & Water Division

Court Reporter: Steven E. Patnaude, LCR No. 52
(Transcribed from audio file)

CERTIFIED
ORIGINAL TRANSCRIPT

[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 A (Gilbertson) Yes, I do.

2 Q Ms. Casey, your name and position please?

3 A (Casey) Mary Casey, Senior Manager of
4 Environment, with Liberty Utilities.

5 Q And you prepared testimony in this matter,
6 which begins at Page 37, is that correct?

7 A (Casey) Correct.

8 Q Do you have any changes to your testimony?

9 A (Casey) I do not.

10 Q And do you adopt your testimony, written
11 testimony, as your sworn testimony here today?

12 A (Casey) I do.

13 MR. SHEEHAN: Thank you. No further
14 questions.

15 CMSR. BAILEY: Ms. Shute.

16 MS. SHUTE: Thanks very much,
17 Commissioners.

18 **CROSS-EXAMINATION**

19 BY MS. SHUTE:

20 Q So, I'd like to just start with a clarification
21 on whether or not this filing is being audited?
22 And, if it is, at what stage in the process the
23 audit is at?

24 A (McNamara) This process is being audited. We

[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 are nearing the end stages. And, as of this
2 point in time, there are no findings.

3 Q All right. Thank you. So, I'd like to focus
4 most of our questions --

5 A (Simek) Excuse me, I'm sorry. Could I add a
6 little bit to that response?

7 Q Sure.

8 A (Simek) There was -- the part that's currently
9 being audited is for the last winter season,
10 the actuals are being audited. Then, that
11 amount that gets carried over is our beginning
12 balance that we're using now for cost of gas.

13 And, then, the individual pieces within
14 the LDAC are also being audited as we speak.
15 And they're still all an open issue right now.

16 Q They're still what?

17 A (Simek) They're still open. They're still in
18 the process of being audited.

19 Q Thank you. So, I'd like to turn to
20 Schedule 19, both the revised version and the
21 original. And, if we could just walk through
22 this a bit, and help us understand the
23 differences between the original submission and
24 the revised submission, starting with -- sorry,

{DG 19-145} [REDACTED - For PUBLIC Use] {10-11-19}

[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 Bates Page 124 and 124-R.

2 MS. SCHWARZER: Just as a point of
3 clarification. I don't know if the OCA has a
4 copy of the exhibit that has been highlighted
5 with changes.

6 MS. SHUTE: We do not.

7 MS. SCHWARZER: Does the Clerk have
8 an extra exhibit available?

9 MS. DENO: Which one?

10 MS. SCHWARZER: Exhibit 9.

11 MS. DENO: Yes.

12 *(Document handed to Atty.*

13 *Shute.)*

14 BY MS. SHUTE:

15 Q Okay. So, going back to Exhibit 2,
16 Schedule 19. And, starting with Line 1, on
17 "Allowed Base Revenue", could you describe the
18 difference between the number on your original
19 filing and the number in your revised filing,
20 and what that difference is related to?

21 A (Simek) Yes. The difference related to the --
22 the base revenue formula had to do with a
23 formula error that was found both by the
24 Company and Commission Staff. We discussed it

[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 during our technical session that we had.

2 Q So, what was that formula error? What did it
3 consist of?

4 A (Simek) I don't know exactly what it consisted
5 of. It was a formula error that was found by
6 our analyst, and he corrected it. We discussed
7 it at the technical session. Everyone was in
8 agreement as to how to move forward, and that
9 correction was made.

10 Q So, is the difference related to the change in
11 rates and assigning -- the newer rate was
12 assigned to all of the months, rather than the
13 newer rate being assigned at its --

14 A (Simek) I do believe that's the case. That the
15 rate that went into effect July 1st was carried
16 over through all the months, when it should not
17 have been.

18 Q Okay. And, again, on Line 2, the difference
19 between the 44,000 Actual and Estimated Base
20 Revenue and -- or, the 44,670,474 and the
21 44,891 --

22 [Court reporter interruption.]

23 MS. SHUTE: Sorry.

24 BY MS. SHUTE:

[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 Q Let me just say, could you just explain the
2 difference between Line 2 on 124-R and Line 2
3 on 124 please?

4 A (Simek) Yes. There were two other adjustments
5 that were made. We had added our
6 weather-normalized revenues to the actual base
7 revenue. And we had also updated billing units
8 from our estimate to actual for June 2019.

9 Q Okay. So, in both of these numbers, what
10 period of time does it represent?

11 A (Simek) These revenue numbers represent from
12 November 2018 through August of 2019.

13 Q Okay. And can you just help me understand why
14 a 10-month is used, rather than a 12-month?

15 A (Simek) It had to do when the Revenue
16 Decoupling Adjustment Factor went into effect,
17 which was November 1st of 2018.

18 Q Okay. But, on Line 2, it says "Actual and
19 Estimated Base Revenue". But it seems like the
20 only numbers being included are the actual
21 numbers and not the estimated numbers for
22 September and October?

23 A (Simek) No. That's incorrect. The estimated
24 numbers are actually for July and August.

{DG 19-145} [REDACTED - For PUBLIC Use] {10-11-19}

[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 Q Of what year?

2 A (Simek) The numbers that are used in this
3 formula, for July and August of 2019, we're
4 actually using, for an estimate, the actuals
5 for July and August of 2018.

6 Q Okay. Thank you.

7 A (Simek) You're welcome.

8 Q So, that created a excess that was collected
9 from ratepayers over the period of ten months
10 of 4,085,153. And that, so, my understanding
11 is that that number, obviously, doesn't include
12 the over-collection for -- presumed
13 over-collection for September and October. I
14 mean, these are significant numbers. So, if it
15 was that high for the first ten months, then
16 there presumably will be more in the next two
17 months. How is that going to be accommodated
18 or dealt with moving forward?

19 A (Simek) First off, I believe our tariff said,
20 for the first month -- I'm sorry, for the first
21 RDAF year, that we would be cutting it off at
22 the end of August. So, we were just following,
23 I believe, what the tariff had said.

24 Q Okay.

[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 A (Simek) Second of all, the assumption to assume
2 that September and October would just continue
3 to go under the same stream, really shouldn't
4 be the assumption. Solely because now we're
5 starting to get into months where the -- we're
6 getting to where there's some gas usage,
7 especially in October.

8 So, the whole way that the forecast and
9 everything was made, doesn't necessarily mean
10 that it would continue to be what it had done
11 in the past, and it's going to continue to do
12 that going forward.

13 Q Okay. So, the remaining two months would get
14 taken care of the next time around?

15 A (Simek) Correct.

16 Q Okay. In regards to the forecasted residential
17 sales of 65,525,887, can you identify where in
18 the exhibit that number is? Where it is?

19 A (Simek) Just give me one moment please.

20 *[Short pause.]*

21 **BY THE WITNESS:**

22 A (Simek) That number, the 65,525,887, is the
23 projected sales for the upcoming 12-month
24 period, for residential customers. That number

[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 is not included in Schedule 19. Schedule 19 is
2 a revenue calculation. This is the sales
3 forecast that's used to calculate the rates.

4 BY MS. SHUTE:

5 Q Right. I was just asking for where it was
6 identified in the exhibit as a whole, and not
7 in Schedule 19. I was having trouble finding
8 it and understanding, and then -- and wanted to
9 further understand what went into the
10 forecast, the methodology used for the
11 projections.

12 A (Simek) Sure. If you go to Bates Page 101.

13 Q Okay.

14 A (Simek) If you look at the bottom right-hand
15 corner, that "185,636,009"?

16 Q Okay.

17 A (Simek) That's the projected therms in total
18 for EnergyNorth customers only. The difference
19 between that amount and the amount shown on
20 Bates Page 124-R is for Keene customers. And
21 the Keene customers' projected sales, other
22 than being used for these LDAC calculations,
23 are not included in this filing. They're
24 included in the separate cost of gas filing for

[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 Keene.

2 Q Okay. And, so, the difference between the
3 projection under "Total Residential" of
4 "65,177" -- sorry, "65,177,472", to the number
5 on the 124-R, are those numbers comparable?

6 A (Simek) Yes. Really, you'd be looking at the
7 Line 5 and Line 10, the 185, in total.

8 Q Line 5, on Bates Page 101?

9 A (Simek) No. Line 5 on Bates Page 124-R.

10 Q Okay.

11 A (Simek) If you look at Line 5 and Line 10, in
12 total, those come out to 186 or so. And that's
13 what's comparable to the bottom Total Sales
14 number of Line 37 on Bates Page 101. And the
15 difference has to do with Keene projected
16 sales.

17 Q Okay. So, my understanding is that the ten
18 months will be divided over the next 12 months
19 of forecasted sales, resulting in a Decoupling
20 Adjustment Factor of 0.0623 for residential
21 rates?

22 A (Simek) Correct.

23 Q My next question is, that's a significant
24 over-collection. And I'm wondering if you

[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 could identify, I believe the rate case was
2 approximately a year ago, what created -- where
3 does the over-collection stem from, and why do
4 you think that occurred?

5 A (Simek) Yes. The Company has identified three
6 major issues that drove this. Part of it had
7 to do with customer growth, and how some of the
8 newer customers that were coming on line
9 weren't falling basically within the category
10 of the average for the rate class that they
11 were part of for usage.

12 Another recognized issue had to do that
13 customers are using more than they had used
14 within our test year.

15 And, then, the third issue had to do with
16 a year-end customer count that was done during
17 the last rate case, that we believe should have
18 been done a little differently.

19 Q Can you just explain that a little more please?

20 A (Simek) There was an agreed-upon formula that
21 we used at the time, to adjust for the year-end
22 customer count, to basically forecast the
23 ending customer count for a full year of usage
24 for the rate case. And that approach seemed a

[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 little simplistic. And, when you actually look
2 at it and go back into the data, and look at
3 how customers left throughout the year or came
4 on throughout the year, and you look at it on a
5 monthly basis more, the adjustment would have
6 been done differently. And, so, if we would
7 have done it that way, there was -- that
8 contributed to this over-collection.

9 Q Okay. Can you compare -- do you have the
10 number for last year's sales? So, in other
11 words, the '18/19 sales versus the '19/20
12 projection of the 65 million?

13 A (Simek) I do not have that, with me, no.

14 Q Okay. So, do you know roughly whether or not
15 you're projecting an increase over last year's
16 sales or staying flat and consistent with last
17 year's sales?

18 A (Gilbertson) We're projecting an increase in
19 sales.

20 Q Do you know roughly by what percent you're
21 projecting an increase in sales?

22 A (Gilbertson) About five percent.

23 Q Okay. And what is that projected increase
24 based on?

[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 A (Gilbertson) It's based on customer usage and
2 the demand forecast.

3 Q What is the increase based on?

4 A (Gilbertson) The increase is based on
5 historical consumption of the portfolio.
6 Coupled with an econometric model that projects
7 what the anticipated growth of the portfolio
8 would be or the decrease in the portfolio, and
9 any out-of-model adjustments that there may be.

10 Q So, effectively, the increase in sales that
11 you've seen, in the last year or so, lead you
12 to believe that you'll see a continued increase
13 in sales moving forward?

14 A (Gilbertson) Well, that's kind of a tough
15 question. So, we look at historicals, and we
16 see where our portfolio is. And, then, we look
17 at certain -- we have a forecaster that looks
18 at certain checkpoints, such as Moody's. They
19 look at an econometric forecast. And they look
20 at the different segments that we have for
21 customer base, which would be residential and
22 commercial, heating and non-heating, and what
23 that modeling -- what effect that forecast has
24 on those customer segments. And, then, they

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[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 look at any, you know, anything that's going on
2 that would either cause us to reduce that or
3 increase that, meaning out-of-model
4 adjustments.

5 So, I don't know if that answers your
6 question.

7 Q Okay. But there isn't, you know, it's not
8 based on a planned marketing effort or, you
9 know, some other --

10 A (Gilbertson) Are you asking me to tell you
11 what's beyond next year? Or, I'm sorry, I'm
12 not sure.

13 Q No. I was just simply trying to get at -- I
14 was just looking at what the projections were
15 compared to what the actual sales had been, to
16 get a comfort around the difference, primarily
17 because of seeing such a high difference
18 between the rate case a year ago and now. I
19 mean, I don't know what the number of sales
20 that the rate case was based on, but this, you
21 know, over-collection, substantive
22 over-collection, brings up the question of the
23 estimation that you're doing moving forward.

24 A (Gilbertson) Okay. I understand. So, if you

[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 go to Bates 032. So, this tells us that last
2 year our forecast was, I'm on Line 10, it shows
3 that our forecast last year was "87,958,623
4 therms", and that was from November through
5 April of 2019. But, then, we did an -- you
6 know, after the fact, we go back and we check
7 what our assumptions were, and we check to see
8 what actually happened. And you can see, on
9 Line 12, that our sendout, our sales, was
10 "90,387,490 therms". So, it was much higher.
11 Well, not "much higher", but it was higher.

12 Q Okay. So, you're essentially continuing that
13 trend, and that's part of what's accounting for
14 the 5 percent increase?

15 A (Gilbertson) Yes. And, as David said, we are
16 burning a lot of the gas. The portfolio is
17 burning a lot of gas.

18 MS. SHUTE: Okay. No further
19 questions.

20 CMSR. BAILEY: Ms. Schwarzer.

21 MS. SCHWARZER: Thank you.

22 BY MS. SCHWARZER:

23 Q Just to make a correction to begin with. I
24 believe that redacted Pages 125 through 129

[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 contain a heading that shows "2018" for July
2 and August. Is that correct or should that be
3 "2019"?

4 CMSR. BAILEY: Ms. Schwarzer, did you
5 mean "Revised Pages 125 through 129"?

6 MS. SCHWARZER: I did. Thank you.

7 BY MS. SCHWARZER:

8 Q So, Revised Pages 125-R to 129-R, should the
9 headings for July and August be "2019"?

10 A (Simek) No. Those are -- the projections that
11 we're using for July and August are based on
12 the July and August actuals from 2018.

13 Q Thank you. The Company filed revised
14 testimony, tariffs, and schedules on
15 October 8th. Could you identify and explain
16 the changes made to the Company's initial
17 filing?

18 A (Simek) Yes. The Company's initial filing
19 included two different scenarios for the
20 Revenue Decoupling Adjustment Factor. One
21 scenario calculated actual revenues based on
22 the calculation in the tariff, which calculated
23 residential low income customer revenues using
24 non-low income residential rates. The other

{DG 19-145} [REDACTED - For PUBLIC Use] {10-11-19}

[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 scenario calculated actual revenues based on
2 non-low income residential rates consistent
3 with the benchmark revenue calculation in DG
4 17-084.

5 During discussions with Staff and the OCA
6 at our cost of gas technical session, Mr.
7 Iqbal, from Staff, stated that the calculation
8 in the tariff was essentially correct, once a
9 weather-normalized adjustment is made, because
10 of the mechanics of how the Residential Low
11 Income Assistant Program is handled within the
12 Local Delivery Adjustment Clause.

13 So, in other words, Mr. Iqbal had
14 suggested some changes to the way we were
15 calculating the decoupling mechanism. Again,
16 those three changes were that we added
17 weather-normalization revenues to the actual
18 base revenues. It was also that, for the
19 remainder of the calculation within the tariff,
20 that we continue calculating it just as it
21 states. And, then, we also corrected a formula
22 error that was in there. And, then, we also
23 had updated some billing units from an estimate
24 to an actual for the month of June of 2019.

{DG 19-145} [REDACTED - For PUBLIC Use] {10-11-19}

[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 And, then, we refiled the pages.

2 Q Thank you.

3 A (Simek) You're welcome.

4 Q If you would reference Schedule 19 RDAF, page
5 124-R, and what's been marked "Exhibit 6",
6 which is Liberty's -- sorry, Exhibit 8, which
7 is Liberty's response to Staff's Data Request
8 2-3. Do you have those before you, sir?

9 MS. SCHWARZER: Does the Clerk have a
10 copy?

11 WITNESS SIMEK: Could I have a copy
12 please?

13 *[Atty. Schwarzer handing*
14 *document to Witness Simek.]*

15 WITNESS SIMEK: Thank you.

16 MS. SCHWARZER: You're welcome.

17 BY MS. SCHWARZER:

18 Q The calculated actual revenue in 124-R and the
19 Company's actual revenue in Exhibit 8 do not
20 match. The difference between the two is
21 approximately 0.8 to 1.2 million in aggregate,
22 with the answer in the data request being
23 higher. Could you please explain that
24 difference, and how you might address that?

{DG 19-145} [REDACTED - For PUBLIC Use] {10-11-19}

[WITNESS PANEL: Simek|McNamara|Gilbertson|Casey]

1 A (Simek) Yes. Excuse me. Comparing the billed
2 sales or billed revenues that was requested in
3 the data request to the calculated calendar
4 month normal weatherized revenues that is used
5 for the decoupling RDAF calculation is kind of
6 like comparing apples to oranges.

7 The formula that we use for the RDAF,
8 again, was consistent with the formula that was
9 approved in Docket DG 17-048, which is calendar
10 month sales and revenues, weather-normalized.
11 Whereas, billed sales will include the timing
12 difference that you get when you're looking at
13 meter read dates and when bills are mailed out.

14 Q Thank you.

15 A (Simek) You're welcome.

16 Q This is a question about future prices. I
17 don't know if that's best addressed to you or
18 to Ms. Gilbertson, someone else. How do the
19 most recent NYMEX future prices compare to
20 those used for this cost of gas filing?

21 A (McNamara) Sorry. The NYMEX prices have
22 changed by -- would change the rate by 0.003
23 cents.

24 Q And you're Ms. Casey, is that correct? I want