

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty

DG 21-130

Winter 2021/2022 Cost of Gas and Summer 2022 Cost of Gas

Department of Energy Data Requests - Set 2

Date Request Received: 6/21/22
Request No. DOE 2-2

Date of Response: 7/6/22
Respondent: Catherine McNamara

REQUEST:

Reference: Liberty’s Motion to Increase Summer 2022 COG Rates (May 20, 2022); Gilbertson Supp. Testimony” “McNamara Supp. Testimony; DOE Audit Final Report on Liberty EnergyNorth Summer 2021 Reconciliation (April 4, 2022).

On or about May 20, 2022, the Company projected a substantial under collection for the Summer 2022 period of approximately \$9,606,269 “unless the Commission authorizes an increase above the rates approved in Order 26,541.” Liberty’s Motion at 2.

- a. Please provide a monthly schedule that shows how that projected under collection was determined. Please use the same beginning balance as was used for the 2022 Summer period COG rate approved by Order 26,541, and show, for each month, the calculation of any changes to that balance.
- b. Please provide a breakout of the \$9,606,269 figure.
- c. What figure and percentage are related to an under collection from the Summer 2021 (reconciled)?
- d. What factors led to the sizeable under collection for Summer 2021? Explain why Liberty decided not to file a request to exceed the 25% maximum COG during the Summer of 2021 period?
- e. Please clarify and Ms. McNamara’s supplemental testimony, at Bates 20-22, which seems to state both that the initial Summer 2022 rates incorporated a Summer 2021 under-collection of \$4.5 million, and that the overall Summer 2021 under-collection of 7.7 million.
- f. If the Summer 2022 under collection is projected to be 9.6 million through October 31, 2022, what is the amount of under collection anticipated for each month during the Summer 2022 period? (See Ms. McNamara’s estimate using the maximum rate of \$0.6984 per therm for residential customers, that the May 2022 increase (in the under collection) is expected to be “\$231 thousand” and the under collection for June 2022 “approximately \$0.4 million.”)
- g. Do the projections in Ms. McNamara’s supplemental testimony remain accurate? If not, please update the Company’s under collection projections for May 2022-October 31,

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2022 on a month-by-month basis. For both the filed (May 20, 2022) and updated under collection projections (if any) please answer the following questions:

- i. What portion of the overall under collection Liberty identified (approximately 9.6 million) does the Summer 2022 market volatility represent?
- ii. Given the projected 9.6 million under collection, what portion does the “unincorporated” (i.e., not incorporated in the November 1, 2022 rate) does the Summer 2021 under collection represent?
- iii. Please identify the total unincorporated Summer 2021 under collection in dollars to the nearest tenth of a million. *See McNamara Supp. Testimony Bates 20.*

Please identify any other factors contributing to the Summer 2022 under collection at issue. Please confirm that none of the under collection is related to the pending Revenue Decoupling Adjustment Factor issue, or the adoption of the Public Utilities Commission’s recent ruling with regard to Tariff No. 11.

- h. Please provide an updated chart, *see Ms. McNamara’s testimony at Bates 022*, indicating whether the “Revised Summer 2022 COG” (August-Oct 2022) is the “maximum rate,” an “initial rate,” or something else based upon the May 20, 2022 filing. Please confirm whether the initial maximum COG (\$0.6984) is the new “initial rate” or if the proposed “initial rate” is something else or non-existent. Please show in the updated chart the percentage increase from the initial Summer 2022 rate (\$0.5587), and the new proposed initial rate, that the proposed maximum rate of represents for each customer class (Residential \$1.2295, C&I high winter use \$1.2203 and C&I low winter use \$1.2284). For example, \$1.2295 per therm an increase of X as compared to \$ 0.5587, and an increase of Y as compared to \$ 0.6984.

By way of example, \$0.6984 minus \$0.5587 is \$0.1397 and \$0.397 is 25% of 0.5587. \$1.2295 minus \$0.5587 is \$0.6708, and \$0.6708 is 120.06% of \$0.5587. Finally, \$1.2295 minus \$0.6984 is \$0.5331 and \$0.5331 is 76.05% of \$0.6984. Please confirm or correct the calculations for residential heating customers and provide the same calculations for the other customer classes.

- i. Ms. McNamara has indicated that NYMEX pricing for Summer 2022 has increased “83 percent.” Is Liberty’s proposed maximum COG for the remaining months of Summer 2022, i.e., \$1.2295 for residential customers, 83% higher than the initial Summer 2022 rate of \$ 0.5587? Why or why not. Please answer this question for C&I high winter use customers and C&I low winter use customers. Is the most recent NYMEX pricing (on or about June 20, 2022) for Summer 2022 an incremental increase of 83%? *See McNamara Supp. Testimony Bates 023* (comparing NYMEX MMBtu used in the October 19, 2021 to the NYMEX MMBtu used in this filing). Please identify the dates of the MMBtu pricing used to establish the rates in the October 19 and May 20 filings. Please identify the NYMEX MMBtu as of June 20, 2022 and the current percentage, incremental to \$4.0343 per MMBtu and to \$7.3927 per MMBtu.
- j. What portion of the under collection in the current request (amount and percentage) is solely related to volatile market rates for Summer 2022? What “per therm” increase

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would that figure require for residential (and C&I) customers in order to reach an under collection of “zero” by October 31, 2022, with rates effective August 1, 2022?

- k. When Liberty filed its May 20, 2022, petition, Liberty anticipated an effective date for its proposed rates of June 1, 2022. What amount of under collection has been added to the \$9,606,269 figure, to date, as a result of the Commission’s order delaying hearing until July and positing a likely effective date of August 1, 2022? What does Liberty project the under collection related to Summer 2022 market volatility will be as of October 31, 2022, excluding the unincorporated Summer 2021 amount?
- l. If Liberty were to collect half of the under collection it anticipates for Summer 2022 (May 1, 2022- October 31, 2022), see “j” above, excluding the under collection from Summer 2021, what increase would that require on a per therm basis for each major customer class from August 1, 2022, through October 31, 2022? Please provide a table and describe how that compares to Liberty’s pending request? What would the bill impact be for each category of customer?

RESPONSE:

- a. See Attachment DOE 2-2.a.xlsx
- b. See Attachment DOE 2-2.a.xlsx. The \$9,606,269 is the anticipated ending balance assuming the revenues were collected using the currently approved max COG rates for May 2022 through October 2022. The sales are actuals from November 2021 through April 2022 and estimates from May 2022 through October 2022.
- c. See Attachment DOE 2-2.a.xlsx
- d. The summer 2021 under-collection of \$7.7 million was due to the actual cost of gas being higher than forecasted. The forecasted cost of gas used to set the forecasted summer COG rate was lower than the actual cost of gas and has been for the past three consecutive years. In the initial filing setting summer COG rates, the Company did request that the percentage used to calculate the maximum allowed COG rate be increased for the summer period from 25 percent to 40 percent. As discussed at the last COG hearing, there is a significant time delay between when the Company files for summer COG rates and when actual costs are realized. This time delay coupled with fluctuating market prices has led to a significant under-collection. The Company performed an analysis on the variance leading to the request to increase the max rate. The amount of time it takes to get a rate filed and approved led the Company to propose a less burdensome solution of increasing the cap for the summer period rather than making a new filing to increase summer rates. Ultimately the Commission denied that request and the under-collection continued in the summer 2022 season.
- e. The \$4,472,186 in the October 19, 2021, filing was an estimated under-collection based on actual data through June 2021 and estimated data July through October 2021. Updating the estimated data with actuals for the Summer 2021 time period resulted in a final under-collection \$7,707,954 through October 31, 2021, the end of the 2021 summer period.

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- f. See Attachment DOE 2-2.a.xlsx, for the calculation, by month, of the projected under-collection for 2022.
- g. Market prices change daily. The market forecast used to establish the revised summer COG rates was based on pricing as of May 10, 2022. The closing price from June 17, 2022, is within 20% of the pricing from May 10, 2022, and prices are going down. Therefore, the Company would say yes, the projections in the May 10, 2022, remain accurate.

For the May 20, 2022, under-collection projections:

- i. The total portion of the \$9.6M attributable to the 2022 summer costs are 1,898,134.96, or the difference between the estimated beginning balance for November 1, 2021, filing and the estimated ending balance for October 31, 2022.
- ii. \$3,235,768 is related to an increase in the unadjusted cost of gas.
- iii. Please see the response to DOE 2-2.g.ii.

The Company confirms that none of the under collection is related to the pending Revenue Decoupling Adjustment Factor issue, or the adoption of the Public Utilities Commission’s recent ruling with regard to Tariff No. 11.

- h. Please see the chart below for an updated chart. The “Revised Summer 2022 COG” rate was initially proposed to be in effect beginning June 2022, however due to the procedural schedule set forth in this docket, the proposed revised rate will not be effective until August 1, 2022. Therefore, the May–July 2022 COG rates will be set at the current max rate and the proposed rate will be in effect from August through October 2022. The Company is proposing only one rate for that time period and considered it both the new “initial rate” as well as the maximum rate” with the ability to adjust downward as far as needed but cannot exceed the maximum rate, which in this case is the same as the initial rate. Based on a Commission Order in the recent Northern Utilities proceeding, Docket No. DG 21-131, the Commission indicated concern about rate shock for customers and therefore declined to authorize any further increases in the rate without their review and approval. The final Order indicated that the interim rate proposed by Northern was a maximum rate. As a result, Liberty is requesting a similar interim updated summer COG rate and is willing to consider it the maximum rate for the summer period if ordered by the Commission.

	Established per Order No. 26,541 (10/29/21)								
	Summer 2022 COG (May-Oct 2022)	Summer 2022 COG Maximum (May-Oct 2022)	May- July 2022 Monthly COG Rate	Proposed Revised Summer 2022 COG filed May 20, 2022 (Aug-Oct 2022)	Proposed Revised Summer Maximum 2022 COG filed May 20, 2022 (Aug-Oct 2022)	\$ Change of the proposed Revised Summer 2022 rate as compared to the rates established per Order No. 26,541 (10/29/21)	% Change of the proposed Revised Summer 2022 rate as compared to the rates established per Order No. 26,541 (10/29/21)	\$ Change of the proposed Revised Summer 2022 rate as compared to the maximum rates established per Order No. 26,541 (10/29/21)	% Change of the proposed Revised Summer 2022 rate as compared to the maximum rates established per Order No. 26,541 (10/29/21)
Residential	\$0.5587	\$0.6984	\$0.6984	\$1.2295	\$1.2295	\$0.6708	120%	\$0.5311	76%
C&I High Winter Use	\$0.5593	\$0.6991	\$0.6991	\$1.2303	\$1.2303	\$0.6710	120%	\$0.5312	76%
C&I Low Winter Use	\$0.5580	\$0.6975	\$0.6975	\$1.2284	\$1.2284	\$0.6704	120%	\$0.5309	76%

- i. No, Liberty’s proposed COG rate for the remaining months of summer 2022, as filed May 20, 2022, is not 83% higher. This is because there are more factors than NYMEX pricing that impact the cost of gas calculation, although it is the largest factor. In

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addition, the prior period under-collection is another component that impacts the COG calculation.

The most recent NYMEX pricing, as of June 20, 2022, for Summer 2022 is an increase of 78% as compared to the 83% reported in the May 20, 2022, filing.

The dates of the MMBtu pricing used to establish the October 19, 2021, filing was October 12, 2021. The date of the MMBtu pricing used to establish the May 20, 2022, filing was May 10, 2022.

- j. Please see the response to DOE 2-2.g.i.

Please see the table below that provides the rate necessary to have a zero under / (over) collection for October 31, 2022.

	Proposed Revised Summer 2022 COG filed May 20, 2022 (June-Oct 2022)	Rate effective 8/1/22 to get under/(over) collection to be zero	Change	% Change
Residential	\$1.2295	\$1.4346	\$0.2051	16.7%
C&I High Winter Use	\$1.2303	\$1.4357	\$0.2054	16.7%
C&I Low Winter Use	\$1.2284	\$1.4330	\$0.2046	16.7%

- k. The \$9,606,269 figure is the total projected under-collection through October 31, 2022, that includes the summer 2021 under-collection plus the estimated summer 2022 under-collection if the PUC does not approve the request to increase rates for August 1, 2022. If the PUC approves the request to increase rates for August 1, 2022, the under-collection will be estimated at \$2.6M instead of \$9.6M.

The revised Summer 2022 rate was established to incorporate the prior period under-collection in addition to the updated forecasted market pricing. Therefore, if the \$7.7 million unincorporated summer 2021 amount was not included, the forecasted rates would need to be recalculated accordingly. The proposed revised summer COG rates are not comparable and would result in an overcollection. Please see Attachment DOE 2-2.k.xlsx for the calculation.

- l. If half of the under-collection from May–Oct 2022 and the Summer 2021 under-collection were excluded, there would not be an increase in the rates, because there would be an over-collection of about \$1.1M, as shown in Attachment DOE 2-2.l.xlsx. The residential cost of gas rate per therm would need to be \$1.1383. The C&I- high winter use cost of gas rate per therm would need to be \$1.1394. The C&I- low winter use cost of gas rate per therm would need to be \$1.1367. See below for a comparison to the May 20, 2022, filing.

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	Proposed Revised Summer 2022 COG filed May 20, 2022 (June-Oct 2022)	Rate effective 8/1/22 to get under/(over) collection to be zero and half of the summer 2021 under-collection were removed	Change	% Change
Residential	\$1.2295	\$1.1383	(\$0.0912)	-7.4%
C&I High Winter Use	\$1.2303	\$1.1394	(\$0.0909)	-7.4%
C&I Low Winter Use	\$1.2284	\$1.1367	(\$0.0917)	-7.5%

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty
 Calculation of projected under-collection balance if the Commission does not approve rates as filed on May 20, 2022.

	Estimated in the October 19, 2021, filing in	(1) Actual	(1) Actual	(1) Actual	(1) Actual	(1) Actual	(1) Actual	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	
	DG 21-130	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	June-22	July-22	August-22	September-22	October-22	Summer 2022		
1	Beginning Balance	\$ 4,472,186.00	\$ 9,155,074.68	\$ 9,832,500.20	\$ 9,766,620.38	\$ 7,643,374.08	\$ 7,664,176.50	\$ 7,686,607.51	\$ 7,707,953.81	\$ 7,939,275.56	\$ 8,354,461.53	\$ 8,774,852.11	\$ 9,194,192.21	\$ 9,409,449.61	\$ 7,707,953.81	2-2.g.i \$ 9,606,268.77
2	Reversal of Estimated Balance in the October 19, 2021, filing in DG 21-130	\$ (4,472,186.00)														
3	Prior Period Over/(Under) Recovery with interest															
4	Prior Period Over/(Under) Recovery															2-2.g.ii \$ (4,472,186.00)
5	Sales in therms															
6	Residential							2,923,140	1,434,060	1,115,420	1,138,040	1,877,070	4,436,280	12,924,010		
7	C&I High Winter							1,604,790	648,870	483,600	494,780	862,550	2,014,150	6,108,740		
8	C&I Low Winter							746,920	668,900	687,150	685,210	694,570	850,630	4,333,380		
								5,274,850	2,751,830	2,286,170	2,318,030	3,434,190	7,301,060	23,366,130		
9	Revenues															
10	Forecasted firm Residential therm sales @ (\$0.6984)/therm							\$ (2,041,520.98)	\$ (1,001,547.50)	\$ (779,009.33)	\$ (794,807.14)	\$ (1,310,945.69)	\$ (3,098,297.95)	\$ (9,026,129)		
11	Forecasted firm C&I High Winter Use therm sales @ (\$0.6991)/therm							\$ (1,121,908.69)	\$ (453,625.02)	\$ (338,084.76)	\$ (345,900.70)	\$ (603,008.71)	\$ (1,408,092.27)	\$ (4,270,620)		
12	Forecasted firm C&I Low Winter Use therm sales @ (\$0.6975)/therm							\$ (520,976.70)	\$ (466,557.75)	\$ (479,287.13)	\$ (477,933.98)	\$ (484,462.58)	\$ (593,314.43)	\$ (3,022,533)		
13	Actual Revenues	\$ 534,947.28	\$ (101,083.92)	\$ (3,935.68)	\$ 1,889.77	\$ 1,410.48	\$ (828.77)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
14	Total Revenues	\$ 534,947.28	\$ (101,083.92)	\$ (3,935.68)	\$ 1,889.77	\$ 1,410.48	\$ (828.77)	\$ (3,684,406.37)	\$ (1,921,730.27)	\$ (1,596,381.21)	\$ (1,618,641.81)	\$ (2,398,416.97)	\$ (5,099,704.64)	\$ (16,319,281.27)		
15	Costs	\$ (105.03)						\$ 3,878,234.78	\$ 2,302,391.95	\$ 1,986,611.46	\$ 2,013,740.16	\$ 2,590,616.53	\$ 5,278,418.30	\$ 18,050,013.16		
18	Interest	\$ 23,861.03	\$ 25,320.91	\$ 22,287.35	\$ 17,511.35	\$ 19,440.49	\$ 20,317.32	\$ 37,493.34	\$ 34,524.29	\$ 30,160.34	\$ 24,241.75	\$ 23,057.85	\$ 18,105.50	\$ 167,583.06		
	Seasonal Movement per PUC			\$ (2,143,632.50)	\$ 20.00											
16	Bad Debt	\$ 116,630.03	\$ 9,705.30	\$ 1,953.99	\$ 1,316.31	\$ 1,506.76	\$ 1,777.50									
17	Working Capital	\$ 2,092.21	\$ 177.89	\$ 80.54	\$ 64.99	\$ 73.28	\$ 80.25									
19	Net Activity	\$ 677,425.52	\$ (65,879.82)	\$ (2,123,246.30)	\$ 20,802.42	\$ 22,431.01	\$ 21,346.30	\$ 231,321.75	\$ 415,185.97	\$ 420,390.58	\$ 419,340.10	\$ 215,257.41	\$ 196,819.16	\$ 1,898,314.96		
20	Ending Balance	\$ -	\$ 9,832,500.20	\$ 9,766,620.38	\$ 7,643,374.08	\$ 7,664,176.50	\$ 7,686,607.51	\$ 7,707,953.81	\$ 7,939,275.56	\$ 8,354,461.53	\$ 8,774,852.11	\$ 9,194,192.21	\$ 9,409,449.61	\$ 9,606,268.77	\$ 9,606,268.77	

Footnotes
 1 November 2021 through April 2022 relate to the Summer 2021 under-collection

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty

Projected Over or Under Collection

Without Rate Adjustment	Beginning Under/(Over)	May-22 (Estimate)	Jun-22 (Estimate)	Jul-22 (Estimate)	Aug-22 (Estimate)	Sep-22 (Estimate)	Oct-22 (Estimate)	Total Peak
Total Gas Costs		\$ 3,767,062	\$ 2,191,219	\$ 1,875,439	\$ 1,902,568	\$ 2,479,444	\$ 5,170,313	\$ 17,386,045
Adjustments and Indirect Costs								
Refunds & Adjustments		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
COG Bad Debt		-	-	-	-	-	-	-
Return on Inventory per DG 17-048		-	-	-	-	-	-	-
Transportation Revenue		-	-	-	\$ -	\$ -	\$ -	-
Broker Revenue		-	-	-	-	-	-	-
Off System and Capacity Release		-	-	-	-	-	-	-
Fixed Price Option Admin.		-	-	-	-	\$ -	\$ -	-
Bad Debt Costs		106,781	106,781	106,781	106,781	106,781	106,781	640,683
Working Capital		4,393	4,393	4,393	4,393	4,393	4,393	26,358
Misc Overhead		-	-	-	-	-	-	-
Production & Storage		(1)	(1)	(1)	(1)	(1)	(1)	(6)
Total Indirect Costs		\$ 111,173	\$ 111,173	\$ 111,173	\$ 111,173	\$ 111,173	\$ 111,173	\$ 667,036
Interest		37,493	34,524	30,160	24,242	23,058	18,106	\$ 167,583
Total Gas Costs plus Indirect Costs	\$ 7,707,954	3,915,728	2,336,916	2,016,772	2,037,982	2,613,674	5,299,591	\$ 25,928,618
Total Forecasted Sales Volumes		5,274,850	2,751,830	2,286,170	2,318,030	3,434,190	7,301,060	23,366,130
Total Forecasted Collections		3,684,406	1,921,730	1,596,381	1,618,642	2,398,417	5,099,705	\$ 16,319,281
With Rate Adjustment	Beginning Under/(Over)	May-22 (Estimate)	Jun-22 (Estimate)	Jul-22 (Estimate)	Aug-22 (Estimate)	Sep-22 (Estimate)	Oct-22 (Estimate)	Total Peak
Total Gas Costs		\$ 3,767,062	\$ 2,191,219	\$ 1,875,439	\$ 1,902,568	\$ 2,479,444	\$ 5,170,313	\$ 17,386,045
Adjustments and Indirect Costs								
Refunds & Adjustments		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
COG Bad Debt		-	-	-	-	-	-	-
Inventory Financing		-	-	-	-	-	-	-
Transportation Revenue		-	-	-	-	-	-	-
Broker Revenue		-	-	-	-	-	-	-
Off System and Capacity Release		-	-	-	-	-	-	-
Fixed Price Option Admin.		-	-	-	-	-	-	-
Bad Debt Costs		106,781	106,781	106,781	106,781	106,781	106,781	640,683
Working Capital		4,393	4,393	4,393	4,393	4,393	4,393	26,358
Misc Overhead		-	-	-	-	-	-	-
Production & Storage		(1)	(1)	(1)	(1)	(1)	(1)	(6)
Total Indirect Costs		\$ 111,173	\$ 111,173	\$ 111,173	\$ 111,173	\$ 111,173	\$ 111,173	\$ 667,036
Interest		37,493	34,524	30,160	24,242	23,058	18,106	\$ 167,583
Total Gas Costs plus Indirect Costs	\$ 7,707,954	3,915,728	2,336,916	2,016,772	2,037,982	2,613,674	5,299,591	\$ 25,928,618
Total Forecasted Sales Volumes		5,274,850	2,751,830	2,286,170	2,318,030	3,434,190	7,301,060	23,366,130
Total Forecasted Collections		3,684,406	1,921,730	1,596,381	1,618,642	2,398,417	5,099,705	\$ 16,319,281