

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

Docket No. DG 21-XXX

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

DIRECT TESTIMONY

OF

DEBORAH M. GILBERTSON,

CATHERINE A. McNAMARA,

AND

DAVID B. SIMEK

September 15, 2021



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1 **I. INTRODUCTION**

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

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

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

8 (DS) My name is David B. Simek. My business address is 15 Buttrick Road,
9 Londonderry, New Hampshire. My title is Manager, Rates and Regulatory Affairs.

10 **Q. By whom are you employed?**

11 A. We are employed by Liberty Utilities Service Corp. (“LUSC”), which provides services
12 to Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty (“Liberty” or the
13 “Company”) and Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty.

14 **Q. On whose behalf are you testifying?**

15 A. We are testifying on behalf of Liberty’s Keene Division.

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

18 A. I graduated from Bentley College in Waltham, Massachusetts, in 1996 with a Bachelor of
19 Science in Management. In 1997, I was hired by Texas Ohio Gas where I was employed
20 as a Transportation Analyst. In 1999, I joined Reliant Energy, located in Burlington,

1 Massachusetts, as an Operations Analyst. From 2000 to 2003, I was employed by Smart
2 Energy as a Senior Energy Analyst. I joined Keyspan Energy Trading Services in 2004
3 as a Senior Resource Management Analyst following which I was employed by National
4 Grid from 2008 through 2011 as a Lead Analyst in the Project Management Office. In
5 2011, I was hired by LUSC as a Natural Gas Scheduler and was promoted to Manager of
6 Retail Choice in 2012. In October 2016, I was promoted to Senior Manager of Energy
7 Procurement. In this capacity, I provide gas procurement services to Liberty.

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

10 A. I graduated from the University of Massachusetts, Boston, in 1993 with a Bachelor of
11 Science in Management with a concentration in Accounting. In November 2017, I joined
12 LUSC as an Analyst in Rates and Regulatory Affairs. Prior to my employment at LUSC,
13 I was employed by Eversource as a Senior Analyst in the Investment Planning group
14 from 2015 to 2017. From 2008 to 2015, I was a Supervisor in the Plant Accounting
15 department. Prior to my position in Plant Accounting, I was a Financial Analyst/General
16 Ledger System Administrator within the Accounting group from 2000 to 2008.

17 **Q. Mr. Simek, please describe your educational background, and your business and
18 professional experience.**

19 A. I graduated from Ferris State University in 1993 with a Bachelor of Science in Finance. I
20 received a Master of Science in Finance from Walsh College in 2000. I also received a
21 Master of Business Administration from Walsh College in 2001. In 2006, earned a

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

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

11 A. Yes, we have.

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

13 A. The purpose of our testimony is to explain the Company’s proposed cost of gas rates for
14 its Keene Division for the 2021/2022 winter (peak) period to be effective beginning
15 November 1, 2021. Our testimony will also address bill comparisons and other items
16 related to the winter period.

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

18 **Q. What is the proposed firm winter cost of gas rate?**

19 A. The Company proposes a firm cost of gas rate of \$1.8741 per therm for the Keene
20 Division as shown on proposed First Revised Page 97.

1 **Q. Please explain the calculation of the Cost of Gas rate on tariff page Proposed First**
2 **Revised Page 97.**

3 A. Proposed First Revised Page 97 contains the calculation of the 2021/2022 Winter Period
4 Cost of Gas Rate (“COG”) and summarizes the Company's forecast of propane and
5 compressed natural gas (“CNG”) sales and propane and CNG costs. The total anticipated
6 cost of the gas sendout from November 1, 2021, through April 30, 2022, is \$1,976,436.
7 The information presented on the tariff page is supported by Schedules A through J that
8 are described later in this testimony.

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

- 10 1) The prior period under-collection of \$69,913 is added from the anticipated cost of
11 gas sendout; and
- 12 2) Interest of \$399 is added to the anticipated cost of gas sendout. Schedule H
13 shows this forecasted interest calculation for the period May 2021 through April
14 2022. Interest is accrued using the monthly prime lending rate as reported by the
15 Federal Reserve Statistical Release of Selected Interest Rates.

16 The Non-Fixed Price Option (“Non-FPO”) cost of gas rate of \$1.8741 per therm was
17 calculated by dividing the Total Anticipated Cost of Gas of \$2,046,748 by the Projected
18 Gas Sales of 1,092,113 therms. The Fixed Price Option (“FPO”) rate of \$1.8941 per
19 therm was established by adding a \$0.02 per therm premium to the Non-FPO rate.

1 **Q. Please describe Schedule A.**

2 A. Schedule A converts the gas volumes and unit costs from gallons to therms. The
3 1,145,029 therms represent gas propane sendout as detailed on Schedule B, line 3. The
4 blended unit cost of those supplies is \$1.4990 per therm which represents the weighted
5 average cost per therm for the winter period gas sendout as detailed on Schedule F, line
6 55.

7 **Q. What is Schedule B?**

8 A. Schedule B presents the (over)/under collection calculation for the Winter 2021/2022
9 period based on the forecasted volumes, the cost of gas, and applicable interest amounts.
10 The forecasted total propane sendout on line 3, plus total CNG sendout on line 8, is the
11 sum of the weather normalized 2021/2022 winter period firm sendout and company use.
12 The forecasted Firm Sales on line 27 represent weather normalized 2021/2022 winter
13 period firm sales. The weather normalization calculations for sendout and sales are found
14 in Schedules I and J, respectively.

15 **Q. Are CNG demand charges included in this filing?**

16 A. Yes, CNG demand charges are included in Schedule B on line 11.

17 Schedule B, line 11 includes 75% of the 2021/2022 demand charges. These charges are
18 [REDACTED] per month or [REDACTED] for the season and represent the portion attributable to the
19 winter period.

1 **Q. Are incremental costs for prior winter periods related to the use of CNG vs.**
2 **propane included in this filing?**

3 A. Yes, prior winter period incremental costs are included at a rate of 50% for the winter of
4 2019/2020 and winter of 2020/2021, per Section 7.1 of the Settlement Agreement in
5 Docket No. DG 20-105. The calculation can be found on Schedule O.

6 **Q. What prior incremental costs are included in this filing?**

7 A. Incremental costs of \$66,299 for the winter of 2019/2020 are offset by the removal of
8 50% of the actual incremental costs or \$22,008 for the winter of 2020/2021. The net
9 incremental costs included in this filing are \$44,291. These items can be found on
10 Schedule B, lines 12–13. The incremental costs of \$68,263 reported in the DG 20-105
11 Settlement Agreement were a combination of actual and projected costs. The actual
12 incremental cost calculations can be found on Schedule P.

13 **Q. Are any projected incremental costs included for winter 2021/2022?**

14 A. No, there are no projected incremental costs included for winter 2021/2022. The
15 calculated incremental cost was only \$226 and deemed immaterial. This calculation can
16 be found on Schedule N.

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

18 A. Unaccounted-for gas is included in the firm sendout on Schedule B, lines 1 and 8. The
19 Company actively monitors its level of unaccounted-for volumes, which amounted to
20 0.19% for the twelve months ended June 30, 2021.

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

2 A. Schedule C presents the calculation of the total forecasted cost of gas purchases in the
3 2021/2022 winter period, segregated by Propane Purchasing Stabilization Plan (“PPSP”)
4 purchases, available storage deliveries from Liberty’s Amherst facility, CNG deliveries,
5 and spot purchases.

6 Schedule D presents the structure of PPSP pre-purchases for the winter period, monthly
7 average rates for the pre-purchases, and the resulting weighted average contract price for
8 the winter period as used in Schedule C, line 5.

9 Schedule E presents the forecasted market spot prices of propane. Column 1 of the
10 schedule represents the Mont Belvieu propane futures quotations as of August 31, 2021,
11 followed by projected broker fees, pipeline fees, PERC fees, supplier charges, and
12 trucking charges. Together, the pricing and fees make up the expected cost of spot
13 propane purchases as represented in Schedule C, line 31.

14 **Q. Please describe the Propane Purchasing Stabilization Plan (PPSP).**

15 A. The PPSP, as approved in Order No. 24,617 in Docket No. DG 06-037, was again
16 implemented for the winter 2021/2022. As shown on Schedule D, the Company pre-
17 purchased 700,000 gallons of propane between April and September at a weighted
18 average price of \$1.2857 per gallon (\$1.4051 per therm), inclusive of broker, pipeline,
19 Propane Education & Research Council (“PERC”), and trucking charges in effect at the
20 time of the supplier’s bid.

1 **Q. Have the pre-purchased volumes in the PPSP changed since 2020/2021?**

2 A. No. The volume remains at 700,000 gallons or 640,500 therms. The Keene Division
3 maintains a pre-purchase hedge of approximately 66%.

4 **Q. How was the cost of CNG purchases determined?**

5 A. The CNG costs are shown in Schedule C, lines 19 through 26. These costs reflect the
6 contractual agreement between the Company and its supplier, Xpress Natural Gas, LLC.

7 **Q. Please describe Schedule F.**

8 A. Schedule F contains the calculation of the weighted average cost of inventory for each
9 month through April 2022. The unit cost of projected gas to be sent out each month
10 utilizes this weighted average inventory cost, which is inclusive of all PPSP purchases,
11 spot purchases, Amherst storage withdrawals, and CNG deliveries. Note that the CNG
12 deliveries are shown in separate columns from the propane-weighted cost but are
13 included in the average winter rate, which is established on line 55 of Schedule F. This
14 mix of supply purchases is also itemized on Schedule C.

15 **Q. What is shown on Schedule G?**

16 A. Schedule G shows the under-collected balance for the prior winter 2020/2021 period,
17 including interest calculated in a manner consistent with prior years. The under-collected
18 balance of \$38,715 (line 50) is shown on Schedule H, line 1, Column 1.

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

20 A. Schedule H presents the interest calculation and adjustments on (over)/under-collected
21 balances through April 2022. The prior period under-collection of \$38,715 plus

1 adjustments of \$29,104 plus interest of \$2,095 on that balance through October 31, 2021,
2 are included on Schedule B, line 33, in the “Prior” column for a total of \$69,913. The
3 adjustments of \$29,104 are primarily due to the demand charges allocated to the winter
4 months that were booked May-21 thru July-21 at \$7,812.50 per month or 75% of the total
5 demand charges per month. The remainder totaling \$5,666 is due to the timing of
6 collections and the difference between accrued revenues and actual revenues. The
7 forecasted monthly interest of \$399 for the winter 2021/2022 period in Column 8 is
8 included on Schedule B, line 32. The adjusted prior period under-collection plus the
9 interest amount is also included on the tariff page.

10 **III. FIXED PRICE OPTION PROGRAM**

11 **Q. Please describe the FPO program that will be in place for the winter period.**

12 A. The Company will offer the FPO program for the upcoming winter period to provide
13 customers the opportunity to lock in their cost of gas rate. Enrollment in the program is
14 limited to 50% of forecasted winter sales, with allotments made available to both
15 residential and commercial customers on a first-come, first-served basis. The Company
16 is forecasting that 12.4% of total sales volumes will enroll in the FPO program. The
17 12.4% is the five-year average FPO participation rate from winter 2016/2017 through the
18 winter of 2020/2021.

19 **Q. Will a premium be applied to the FPO rate?**

20 A. Yes. As approved in Order No. 24,516 in Docket No. DG 05-144, the Company has
21 added a \$0.02 per therm premium to the Non-FPO cost of gas rate to derive the FPO rate

1 of \$1.8941 per therm. The Company is not seeking an increase in the premium because
2 participation, based on prior customer behavior, is expected to remain well below the
3 50% threshold.

4 **Q. How will customers be notified of the availability of the FPO program?**

5 A. A letter will be mailed to all customers by October 1 advising them of the program, the
6 FPO rate, and the procedure to enroll.

7 **IV. COST OF GAS RATE AND BILL COMPARISONS**

8 **Q. How does the proposed Winter 2021/2022 cost of gas rate compare with the previous**
9 **winter's rate?**

10 A. The proposed Non-FPO COG rate of \$1.8741 per therm is an increase of \$0.8488 or
11 82.8% from the winter 2021/2022 beginning rate of \$1.0253 per therm. The proposed
12 FPO rate is \$1.8941 per therm, representing an increase of \$0.6641 per therm or 54.0%
13 from last winter's beginning fixed rate of \$1.2300.

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

15 A. The main reason for the \$0.8488 increase is due to the increase in supply costs because of
16 market futures. This accounts for approximately 86.0% of the price increase. Production
17 and storage costs of \$208,129, as included in the Settlement Agreement and approved in
18 Order 26,505 in DG 20-105 account for 10.2% of the increase. The remaining 3.8% is
19 attributable to prior period under collection, FPO premium, return on inventory, and
20 interest.

1 **Q. What is the impact of the Winter 2021/2022 COG rate on the typical residential heat**
2 **and hot water customer participating in the FPO program?**

3 A. As shown on Schedule K-1, Column 7, lines 30 and 31, the typical residential heat and
4 hot water FPO customer would experience an increase of \$379.38 or 81.2% in the gas
5 component of their bills compared to the prior winter period. When the monthly
6 customer charge, therm delivery charge, and LDAC are factored into the analysis, the
7 typical customer would see a total bill increase of \$427.81 or 50.9%, as shown on lines
8 37 and 38. The LDAC rate used in Schedule K-1, line 32 is the LDAC rate proposed in
9 the currently pending COG Filing for the Company's EnergyNorth system, Docket No.
10 DG 21-130.

11 **Q. What is the impact of the Winter 2021/2022 COG rate on the typical residential heat**
12 **and hot water customer choosing the Non-FPO program?**

13 A. As shown on Schedule K-2, Column 7, lines 30 and 31, the typical residential heat and
14 hot water Non-FPO customer is projected to see an increase of \$380.82 or 83.4% in the
15 gas component of their bills compared to the prior winter period. When the monthly
16 customer charge, therm delivery charge, and LDAC are factored into the analysis, the
17 typical customer would see a total bill increase of \$431.30 or 52% as shown on lines 37

1 and 38. The LDAC rate used in Schedule K-2, line 32 is the LDAC rate proposed in the
2 currently pending EnergyNorth COG Filing, Docket No. DG 21-130.

3 **Q. Please describe the impact of the Winter 2021/2022 COG rate on the typical**
4 **commercial customer compared to the prior winter period.**

5 A. Schedule L-1 illustrates that the typical commercial FPO customer would see a \$1,464.16
6 or 81.5% increase in the gas component of their bill and a 52.6% increase in their total
7 bill. Schedule L-2 shows that the typical commercial Non-FPO customer would see
8 increases of \$1,819.54 or 129.4% increase in the gas component of their bill and 75.2%
9 increase in their total bill.

10 **V. OTHER ITEMS**

11 **Q. What is the status of CNG currently?**

12 A. The Company began serving customers with CNG in October 2019. Customers
13 experienced a smooth transition from propane service to CNG service. The service
14 territory for CNG is exclusive to the Monadnock Marketplace at this time. After an RFP
15 process, the Company entered a new contract with Xpress Natural Gas (XNG), which
16 went into effect July 1, 2021. The Company will otherwise follow the guidelines from
17 the recent rate case settlement and order to continue the conversion of the Keene Division
18 to natural gas.

19 **Q. What is the price differential between the cost of spot propane and the cost of CNG?**

20 A. For the upcoming peak period the cost differential between spot propane and CNG is
21 .0091 cents per therm more expensive for CNG over the cost of spot propane. The

1 calculation is Spot Purchases cost per therm found on Schedule C, line 31 less the CNG
2 Deliveries cost per therm found on Schedule C, line 24.

3 **Q. Does that comparison include the CNG demand charge?**

4 A. Yes.

5 **Q. Has there been any change to the allocation of the demand charge between the
6 summer and winter as compared to last year?**

7 A. Yes, the Company previously allocated 80% of the demand charge to the winter period,
8 and 20% of the demand charge to the summer period. In Order No. 26,505 (July 30,
9 2021), the Commission approved the Settlement Agreement in the Company's recent rate
10 case, which adjusted this allocation to 75% in the winter period and 25% in the summer.

11 **Q. Can you comment on why the commodity price of propane has increased
12 significantly over last year, yet the price of CNG has fallen?**

13 A. Yes, as with natural gas, propane national inventories are currently below their six-year
14 average. This, coupled with the increasing ability and financial incentive for producers to
15 ship propane out of the country, has meant that the propane stocks have not been
16 replenished at a rate necessary for the market to be comfortable by the onset of the winter
17 season demand. For the CNG cost, with the new CNG contract which went into effect
18 July 1 2021, the Company was able to secure more favorable terms for pricing over the
19 previous contract price terms.

1 **Q. Please describe how the Company will meet its 7-day on-site storage requirement.**

2 A. The Company has net storage capacity at its plant in Keene for approximately 75,000
3 gallons of propane. Additionally, Liberty has approximately 129,800 gallons of propane
4 at the Amherst storage facility located approximately 50 miles from the Keene plant.
5 This storage facility is partially shared between the Keene Division and EnergyNorth. In
6 addition, the Company will arrange its standard trucking commitment with Northern Gas
7 Transport, Inc. for transportation from this storage facility to the Keene plant. Further,
8 the Company has contracted for CNG deliveries to provide service to a small section of
9 its system. The firm trucking arrangement coupled with onsite CNG trailers are more
10 than enough to meet the 7-day demand requirement for those customers being served
11 exclusively by CNG for the 2021/2022 peak period.

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

13 A. Yes, it does.