

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

Docket No. DG 22-015

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

Revised Summer 2022 Cost of Gas

DIRECT TESTIMONY

OF

DEBORAH M. GILBERTSON

AND

CATHERINE A. McNAMARA

April 25, 2022



THIS PAGE INTENTIONALLY LEFT BLANK

1 **I. INTRODUCTION**

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

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

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

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

13 A. We are testifying on behalf of the Company.

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

16 A. I graduated from Bentley College in Waltham, Massachusetts, in 1996 with a Bachelor of
17 Science in Management. In 1997, I was hired by Texas Ohio Gas where I was employed
18 as a Transportation Analyst. In 1999, I joined Reliant Energy, located in Burlington,
19 Massachusetts, as an Operations Analyst. From 2000 to 2003, I was employed by Smart
20 Energy as a Senior Energy Analyst. I joined Keyspan Energy Trading Services in 2004
21 as a Senior Resource Management Analyst following which I was employed by National

1 Grid from 2008 through 2011 as a Lead Analyst in the Project Management Office. In
2 2011, I was hired by LUSC as a Natural Gas Scheduler and was promoted to Manager of
3 Retail Choice in 2012. In October 2016, I was promoted to Senior Manager of Energy
4 Procurement. In this capacity, I provide gas procurement services to Liberty.

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

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

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

17 A. Yes, we have.

18 **Q. What is the purpose of your updated testimony?**

19 A. The purpose of our updated testimony is to explain the Company’s proposed Cost of Gas
20 (“COG”) rates for its Keene Division for the 2022 summer (off-peak) period to be

1 effective beginning May 1, 2022. Our testimony will also address bill comparisons and
2 other items related to the summer period.

3 **II. SUMMER 2022 COST OF GAS FACTOR**

4 **Q. What is the proposed firm summer cost of gas rate?**

5 A. The Company proposes an updated firm cost of gas rate of \$1.7865 per therm for the
6 Keene Division as shown on Proposed Third Revised Page 93.

7 **Q. Please explain the calculation of the Cost of Gas rate on tariff page Proposed Third**
8 **Revised Page 93.**

9 A. Proposed Third Revised Page 93 contains the calculation of the 2022 Summer Period
10 COG and summarizes the Company's forecast of propane and compressed natural gas
11 (“CNG”) sales and propane and CNG costs. The total anticipated cost of the gas sendout
12 from May 1 through October 31, 2022, is \$554,874. The information presented on the
13 tariff page is supported by Schedules A through N which are described later in this
14 testimony.

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

- 16 1) The prior period under-collection of \$18,016 is added to the anticipated cost of
17 gas sendout; and
- 18 2) Interest of \$274 is added to the anticipated cost of gas sendout. Schedule F shows
19 this forecasted interest calculation for the period November 2021 through April
20 2022. Interest is accrued using the monthly prime lending rate as reported by the
21 Federal Reserve Statistical Release of Selected Interest Rates.

1 The Non-Fixed Price Option (“Non-FPO”) cost of gas rate of \$1.7865 per therm was
2 calculated by dividing the Total Anticipated Cost of Gas of \$573,165 by the Projected
3 Gas Sales of 320,838 therms. There is no Fixed Price Option for the summer period.

4 **Q. Please describe Schedule A.**

5 A. Schedule A converts the propane gas volumes and unit costs from gallons to therms. The
6 321,744 therms represent sendout as detailed on Schedule B, lines 3 and 8. The blended
7 unit cost of those supplies is \$1.6170 per therm which represents the weighted average
8 cost per therm for the summer period gas sendout as detailed on Schedule D, line 37.

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

10 A. Schedule B presents the Final (over)/under collection calculation for the summer 2022
11 period based on the prior period (over)/under collection, forecasted volumes, the cost of
12 gas, and applicable interest amounts. The forecasted total propane sendout of 251,510
13 therms on line 3, plus total CNG sendout of 70,233 therms on line 8, is the sum of the
14 forecasted summer 2022 total firm sendout. The forecasted Firm Sales on line 26
15 represent weather normalized 2022 summer period firm sales. The weather
16 normalization calculations for sendout and sales are found in Schedules G and H,
17 respectively.

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

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

1 Schedule B, line 11, includes 25% of the 2022 demand charges. These charges are
2 \$ [REDACTED] per month or \$ [REDACTED] for the season and represent the portion attributable to
3 the summer period.

4 **Q. Is this an approved allocation of summer demand charges?**

5 A. Yes, in Order No. 26,505 (July 30, 2021), the Commission approved the Settlement
6 Agreement in the Company's recent distribution service rate case, which fixed the
7 allocation of Keene CNG demand charges to be 75% in the winter period and 25% in the
8 summer period. The total demand charge for the summer period is thus the total annual
9 demand charge of \$ [REDACTED] times 25%, or \$ [REDACTED].

10 **Q. Are incremental costs/savings for prior summer periods related to the use of CNG**
11 **vs. propane included in this filing?**

12 A. Yes, the calculation of prior summer period incremental costs/savings between propane
13 and CNG have been calculated for the summer of 2019, 2020, and 2021, per Section 7.1
14 of the Settlement Agreement in Docket No. DG 20-105, which states, in part, as follows:

15 The Company shall recover one-half of the incrementally higher CNG
16 supply costs as compared to the propane supply cost,⁸ incurred from the
17 commencement of CNG service through October 31, 2021, to be recovered
18 through inclusion over one year in the next Keene cost of gas during the
19 winter or summer periods consistent with the season in which the
20 incremental costs were originally incurred. The Company shall provide the
21 supporting calculations in the Winter 2021-2022 Keene Cost of Gas filing.
22 Incremental CNG supply costs through the 2020-2021 winter period are
23 provided in Appendix 4.

24 (a) Beginning November 1, 2021, if the CNG supply cost is higher than
25 the propane supply cost as described in footnote 8, the Company

1 shall recover one-half of the incrementally higher CNG supply cost,
2 as determined through the cost of gas reconciliation process. If the
3 CNG supply cost is lower than the propane supply cost, the
4 Company shall recover and retain the full amount of the
5 incrementally lower CNG supply cost up to the amount of
6 incrementally higher CNG costs accrued since the commencement
7 of CNG service, which has not then been recovered from customers,
8 at which point the Company shall recover and retain one-half of the
9 incrementally lower CNG supply costs. Reconciliation of the
10 incremental CNG supply costs shall occur semi-annually in the
11 Winter and Summer Cost of Gas filings, as applicable.

12 Settlement Agreement in Docket No. DG 20-105, Exhibit 49 (“Settlement Agreement”),
13 at Bates 13–14. Footnote 8 described the calculation:

14 Incremental CNG supply cost/savings shall be calculated by multiplying the
15 CNG therm purchases by the difference between the average per therm
16 CNG supply cost and the propane supply costs for the applicable
17 summer/winter period. Average CNG supply costs shall include all CNG
18 supplier charges properly allocated between summer and winter periods.
19 Average propane supply costs shall include Mont Belvieu propane pricing,
20 transportation costs, and Broker Fee.

21 *Id.* at 14. The above calculations for the summers of 2019 and 2020 were included in the
22 Settlement Agreement and have been applied here. *Id.* at Bates 33. The above
23 calculation for the summer of 2021 was also included in the Settlement Agreement, *id.*,
24 but it was based on projected numbers since the Settlement Agreement was signed during
25 that summer period. The Summer 2021 calculations have been updated with actual
26 numbers in this filing. The calculations for all three summer periods can be found on
27 Schedule M.

1 **Q. Can you itemize the previous years’ incremental costs/savings which are included in**
2 **this filing?**

3 A. Yes, the previous period’s incremental costs/savings calculations can be found on
4 Schedule N. For the summer of 2019, the Company had collected 100% of the
5 incrementally higher CNG costs, which totaled \$5,048. In light of the Settlement
6 Agreement authorizing the Company to recover only 50% of the incrementally higher
7 CNG costs, \$2,524 will be returned to customers over the Summer 2022 period through
8 the rates proposed in this filing.

9 For the summer of 2020, CNG costs were \$16,214 higher than propane costs. Over the
10 course of the 2020 summer the Company deferred 100% of those incremental costs, that
11 is, the Company did not collect any of the \$16,214. The Settlement Agreement now
12 authorizes the Company to collect 50% of those charges, and thus the rate proposed here
13 includes recovery of \$8,107 of the incrementally higher CNG costs. Again, these exact
14 calculations for the 2019 and 2020 summers were specifically included in the Settlement
15 Agreement.

16 For the summer of 2021, CNG costs were \$13,026 less expensive than propane. The
17 Company again deferred, i.e., did not include, these savings in the 2020 COG rates. The
18 Settlement Agreement allows the Company to recover 100% of these savings “up to the
19 amount of incrementally higher CNG costs accrued since the commencement of CNG
20 service, which has not then been recovered from customers,” and thereafter shares any
21 remaining savings with customers equally. Settlement Agreement at Bates 14. The

1 amount of the “incrementally higher COG costs accrued since the commencement of
2 CNG service” that the Company did not recover is \$10,631. The rates proposed here thus
3 include recovery of that amount, leaving \$2,395 in savings to be addressed. The
4 Settlement Agreement states that this remaining amount of CNG savings is to be shared
5 equally with customers and, since the 2021 rates did not include recovery of any of the
6 remaining \$2,395 of incremental CNG savings, the rates proposed here include recovery
7 of one-half of this remaining amount, or \$1,197.

8 The net incremental costs/savings for all three periods included in this filing are \$15,017.
9 These items can also be found on Schedule B, lines 12–14.

10 **Q. Do the incremental costs/savings from above reconcile with Appendix 4 of the**
11 **Settlement Agreement?**

12 A. No. As mentioned above, the summer 2021 incremental costs of \$3,577 reported in
13 Appendix 4 of the Settlement Agreement were estimated. This filing contains the actual
14 increment savings for 2021. The amounts used above include the actual incremental cost
15 calculations which can be found on Schedule N.

16 **Q. Are projected 2022 incremental cost/savings included in this filing?**

17 A. Yes. Over the summer of 2022, the Company projects CNG to be \$39,183 less than
18 propane costs over the summer of 2022 resulting in a savings for customers. The
19 proposed rates in this filing include 50% of those savings in accordance with the
20 Settlement Agreement in DG 20-105, Section 7.1(a). The calculated incremental

1 projected savings are 50% of \$39,183, or \$19,592. This can be found on line 15 of
2 Schedule B. The detailed calculation can be found on Schedule L.

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

4 A. Unaccounted-for gas is included in the firm sendout on Schedule B, lines 1 and 8. The
5 Company actively monitors its level of unaccounted-for volumes, which amounted to
6 0.19% for the twelve months ended June 30, 2021.

7 **Q. Please describe Schedules C and K.**

8 A. Schedule C presents the forecasted market spot prices of propane. Column 1 shows the
9 Mont Belvieu propane futures quotations as of March 2, 2022. Subsequent columns
10 show expected broker/supplier fees, pipeline fees, and Propane Education & Research
11 Council (PERC) fees. These prices when added together represent a forecasted summer
12 price of propane. This price is also represented in Schedule K, line 40. Note: as actual
13 prices are realized, they will replace estimate pricing. The reconciliation of actual costs
14 to estimated costs is continued throughout the summer as the actual data becomes
15 available.

16 **III. PROPANE PURCHASING STABILIZATION PLAN**

17 **Q. Please describe the Propane Purchasing Stabilization Plan (“PPSP”).**

18 A. The Propane Purchasing Stabilization Plan is a Commission-approved strategy that the
19 Company undertakes to provide stability in the winter COG rate and to facilitate the
20 offering of a Fixed Price Option. Under this strategy, the Company systematically
21 hedges supply purchases over the off-peak period, to be utilized and called upon in the

1 peak period. The strategy is intended to provide price stability rather than to secure lower
2 prices. The PPSP was approved in Order No. 24,617 (Apr. 28, 2006), and has been
3 discussed repeatedly in Keene’s cost of gas proceedings ever since.

4 **Q. Has the Company performed any analysis regarding its Propane Purchasing**
5 **Stabilization Plan?**

6 A. Yes. The Company performed two analyses. In Schedule J-1, the Company evaluated
7 the premium/discount associated with securing the pre-purchased volumes for delivery in
8 the winter of 2021–2022 relative to securing a floating price at Mont Belvieu. The
9 comparison reflects the net premium/discount results of the Company’s competitive RFP
10 process. In Schedule J-2, the Company performed a comparison of propane purchase
11 costs under the contract versus representative spot prices had the Company not
12 implemented the Plan. The analysis shows that the cost of the pre-purchased gallons was
13 18% lower than the average representative spot purchase cost for the first four months of
14 the current winter period, reflecting an increase in spot propane prices over the pre-
15 purchased volumes.

16 **Q. Has the Company issued a Request for Proposals (“RFP”) to potential suppliers for**
17 **the 2022–2023 Plan?**

18 A. Yes. The Company issued the RFP for the 2022–2023 Plan on February 22, 2022. The
19 RFP process was the same as the process used last summer. The RFP was sent to thirteen
20 suppliers. Once a winning bidder has been selected, they will be notified.

1 **Q. Is the Company proposing any changes to the 2022–2023 Plan?**

2 A. No. The Plan structure specified in the RFP, as detailed on Schedule J-3, has not
3 changed from the design that was used for the previous winter. The Company will
4 purchase 700,000 gallons to maintain a consistent ratio of hedged volumes to expected
5 sales – approximately 65%, which also includes storage at the Amherst facility.

6 **IV. FIXED PRICE OPTION PROGRAM**

7 **Q. Will there be a Fixed Price Option (“FPO”) rate offered for the summer period?**

8 A. No, there will not be an FPO rate offered for the summer period. The FPO program is
9 only offered during the winter (peak) period.

10 **V. COST OF GAS RATE AND BILL COMPARISONS**

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

12 A. The CNG costs are shown in Schedule K, lines 21 through 29. These costs reflect the
13 contractual agreement between the Company and its supplier, Xpress Natural Gas, LLC.

14 **Q. Please describe Schedule D.**

15 A. Schedule D contains the calculation of the expected weighted average cost of inventory
16 for each month through October 2022. The unit cost of projected gas to be sent out each
17 month includes CNG deliveries. Note that the CNG deliveries are shown in separate
18 columns from the propane-weighted cost but are included in the average summer rate,
19 which is shown on line 37 of Schedule D.

1 **Q. What is shown on Schedule E?**

2 A. Schedule E shows the under-collected balance for the prior summer 2021 period,
3 including interest calculated in a manner consistent with prior years. The under-collected
4 balance of \$16,078 (line 36) is shown on Schedule E, line 1, Column 1.

5 **Q. How is the information in Schedule F represented in the cost of gas calculation?**

6 A. Schedule F presents the interest calculation and adjustments on (over)/under-collected
7 balances through October 2022. This is represented in the cost of gas calculation on
8 Schedule B. The prior Period Balance is calculated below and found on Schedule B,
9 Column 1, line 36.

Prior Period GL Balance at 10/31/2021, Sched F, Col 1, Ln 1	\$ 16,080.00
Adjustments, Schedule F, Column 3	\$ 1,937.00
Interest November 2021 - April 2022, Sched F Col 8, Ln 1-6	\$ 274.00
<u>Prior Period Ending Balance at 4/30/2022, Schedule B Column 1, Line 36</u>	<u>\$ 18,291.00</u>

10
11 The forecasted over/under collection from Schedule F, Column 2, is included in Schedule
12 B, Columns 2–7, line 36.

13 **Q. What is included in the Adjustments, Column (3) of Schedule F?**

14 A. The total \$1,936.89 included in the adjustments column is listed below.

November 2021 - January 2022 Demand charges to the summer deferral in winter months	\$ 6,875.01
Revenue appropriately booked to the summer deferral in winter months	\$ (43,266.68)
<u>Reversal of the October 2021 Summer Accrual in November 2021</u>	<u>\$ 38,328.56</u>
Total Adjustments	\$ 1,936.89

15

1 **Q. How does the proposed Summer 2022 cost of gas rates compare with the previous**
2 **summer's rates?**

3 A. The proposed Non-FPO COG rate of \$1.7865 per therm is an increase of \$0.6044 or
4 51.1% from the summer 2021 approved rate of \$1.1821 per therm, per Order No. 26,475
5 (April 30, 2021).

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

7 A. The main reason for the \$0.6044 increase is the increase in projected market supply costs.
8 This accounts for approximately 74.8% of the price increase. The remaining 25.1% of
9 the increase is due to having started the Summer 2021 period with an over-collection
10 versus starting the Summer 2022 period with an under-collection.

11 **Q. What is the impact of the Summer 2022 COG rate on the typical residential heat**
12 **and hot water customer?**

13 A. As shown on Schedule I-1, Column 14, lines 50 and 51, the typical residential heat and
14 hot water customer would experience an increase of \$32.47 or 38.8% in the gas
15 component of their bills compared to the prior summer period. When the monthly
16 customer charge, therm delivery charge, and LDAC are factored into the analysis, the

1 typical residential customer would see a total bill increase of \$36.70 or 16.9%, as shown
2 on lines 54 and 55.

3 **Q. Please describe the impact of the Summer 2022 COG rate on the typical commercial**
4 **customer compared to the prior summer period.**

5 A. As shown on Schedule I-2, Column 14, lines 50 and 51, the typical commercial customer
6 would experience an increase of \$103.32 or 39.0% in the gas component of their bills
7 compared to the prior summer period. When the monthly customer charge, therm
8 delivery charge, and LDAC are factored into the analysis, the typical commercial
9 customer would see a total bill increase of \$116.18 or 16.5%, as shown on lines 54 and
10 55.

11 **VI. OTHER ITEMS**

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

13 A. The Company began serving customers with CNG in October 2019. At present, the
14 service territory for CNG is limited to the Monadnock Marketplace and a small portion of
15 Key Road. The Company’s short-term plan involves adding/converting more customers
16 and expanding the natural gas footprint in this limited area as contemplated in the
17 Settlement Agreement.¹ Since the fall, the Company has added two new commercial

¹ “Phase 1 of the Keene conversion to natural gas shall consist of: (1) installation of the existing temporary CNG facility; (2) conversion of the propane-air customers’ premises at the Monadnock Marketplace to natural gas as of the date of this Settlement; and (3) acquisition of customers at any additional premises not currently physically connected to the gas utility system in Keene after the date of this settlement who would be served CNG from both the existing CNG temporary facility and through existing mains.” Settlement Agreement at Bates 14 (emphasis added).

1 customers and extended the main by approximately 700 feet. There are plans to add a
2 couple of other customers in the area, but likely not until later this year. The Company is
3 considering a path forward to the transition to partial renewable fuel (RNG) and has
4 retained a contractor to help determine what is possible and at what cost.

5 **Q. When does the current CNG contract expire?**

6 A. The current CNG contract expires on June 30, 2024.

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

8 A. For the upcoming off-peak period, spot propane is anticipated to be 56 cents per therm
9 more expensive than CNG. The calculation of Spot Purchases cost per therm is found on
10 Schedule K, line 40, less the CNG Deliveries cost per therm found on Schedule K, line
11 29.

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

13 A. Yes.

14 **Q. Can you comment on market price conditions as compared to last summer?**

15 A. Yes, as compared to this time last summer, the commodity prices have increased
16 substantially. Global influences have continued to impact national markets as
17 competition for supply increases in places such as Europe and Asia. These influences are
18 impacting prices in all energy sectors across the US. For example, last year at this time,
19 Mont Belvieu was forecasted to average 79 cents per gallon for the 2021 summer period.
20 This year it is expected to average at 1.33 per gallon for 2022 summer – a 68% increase.
21 As for natural gas benchmark prices, NYMEX at this time last year was averaging \$2.89

1 per dekatherm (“Dth”) whereas today it is averaging \$4.85 per Dth – a 68% increase over
2 last year. These costs directly impact the customer rates.

3 **Q. What changes have been since the original filing on March 15, 2022?**

4 A. As described above, the Settlement Agreement defined how incremental costs or savings
5 associated with CNG and propane costs are to be shared with customers. In its initial
6 filing, the Company incorrectly presented the difference between the CNG and propane
7 costs as a benefit to customers resulting in an overall reduction in the cost of gas. This
8 updated filing revises that calculation to show a benefit to the Company resulting in an
9 overall increase in the cost of gas as defined in the risk sharing mechanism in Section
10 7.1(a) of the Settlement Agreement of DG 20-105 where customers bear 50% of the
11 incremental savings. To share these savings, the Company passes on the incremental
12 savings to customers and therefore needed to increase the cost by \$19,592, not decrease
13 as indicated in the original filing. This change increased the rates by \$0.1222 per therm
14 from \$1.6643 to 1.7865

15 Additionally, the LDAC rates used in the commercial bill impact schedule I-2 were
16 incorrect. The company used the residential LDAC rates and should have used the
17 commercial LDAC rates. This did not impact the rates in any way.

18 **Q. Have projected market prices changed from the time the original filing was**
19 **submitted on March 15, 2022?**

20 A. Yes, forward market prices have changed. The Company reviewed the impact of market
21 changes as of April 20, 2022, and determined the impact on rates to be minimal. The cost

1 of CNG is projected to increase by twenty-three cents and the cost of propane is projected
2 to decrease by four cents. This update also changed the delta between the two, of which
3 the Company is allowed to keep 50% of the benefit because the price of CNG is less than
4 the price of propane. This change lessened the gap between the two, thus reducing the
5 chargeback to customers from approximately \$19,000 as seen on Schedule B, line 15 to
6 \$10,000. Although it appears that a lot has changed, overall the impact of these changes
7 had very little impact on the overall rate. The rate increased by one penny which is not a
8 material projected change to the rate.

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

10 **A.** Yes, it does.

THIS PAGE INTENTIONALLY LEFT BLANK