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

Updated Summer 2022 Cost of Gas

DIRECT TESTIMONY

OF

DEBORAH M. GILBERTSON

AND

CATHERINE A. McNAMARA

May 10, 2022

Liberty™

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I. INTRODUCTION

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

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

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

Q. By whom are you employed?

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

Q. On whose behalf are you testifying?

A. We are testifying on behalf of the Company.

Q. Have you previously submitted testimony in this proceeding?

A. Yes. We submitted testimony as part of the Company's March 15, 2022, initial filing in this docket. Our educational backgrounds, professional backgrounds, and qualifications are contained in that prior testimony.

Q. What is the purpose of your updated testimony?

A. The purpose of our updated testimony is to explain the Company's proposed Cost of Gas ("COG") rates for its Keene Division for the 2022 summer (off-peak) period to be effective beginning June 1, 2022, and to explain why the Company is proposing the summer period rate to begin June 1, rather than the customary May 1. Our testimony will also address bill comparisons and other items related to the summer period.

II. PROCEDURAL HISTORY

Q. Why is the Company proposing that the summer cost of gas rate go into effect on June 1, rather than the customary May 1?

A. The Company's proposal for a June 1, 2022, effective date and related variations in this filing arise from the following sequence of events in this docket.

Liberty made its initial Summer 2022 Cost of Gas filing on March 15, 2022, in compliance with the previously established schedule for these dockets. That filing proposed a summer cost of gas rate of $1.6643. The Commission held a prehearing conference on April 4, 2022, following which the Commission issued an April 6, 2022, procedural order directing the Company to file by April 15, 2022, the live Excel file of the 2021 Summer Cost of Gas Reconciliation and the audit report of the 2021 Summer COG reconciliation prepared by the Department of Energy's (DOE) Audit Division.

The Company had ready access to the Excel file, but the audit report was authored by DOE and the DOE had marked the entire report as confidential. DOE and the Company began a conversation to determine what redactions DOE thought were necessary prior to Liberty being able to file the report. Those conversations were delayed by the absence of a key DOE employee who was on vacation.

Unfortunately, this delay led to the Company losing track of the April 15 due date. The Company and DOE agreed to the appropriate redactions late on April 19, and the Company filed the Excel and the audit report on April 21.

Because of this late filing, the Commission issued Order No. 26,615 (Apr. 22, 2022) which suspended the proposed tariff pages that contained the proposed summer 2022 cost of gas rates and rescheduled the hearing in this docket for May 17, 2022.

Liberty filed a motion on April 25 asking the Commission to clarify what COG rate the Company should charge beginning May 1, 2022, and until the Commission issues an order following the May 17 hearing. DOE also filed a motion related to the rate that should be charged beginning May 1.

In response to those pleadings, the Commission issued Order No. 26,618 (April 28, 2022) which ordered that "the previously-approved Winter 2021–2022 COG rate for April 2022 currently in effect … shall continue to apply," that the Company "shall file tariff pages incorporating this extension by the close of business on May 2, 2022," and that the Company shall "provide an updated Summer 2022 COG rate calculation and proposed tariff pages to incorporate the Summer 2022 COG season of May 1, 2022–October 31, 2022." Order No. 26,618 at 4.

Q. Is the Company billing the April COG rate of $2.4835 during the month of May 2022?

A. Yes.

Q. Did the Company file compliance tariff pages confirming that it is billing the above rate?

A. Yes, the Company filed tariff pages that continued the $2.4835 April rate into May.

Q. Did the Company "provide an updated Summer 2022 COG rate calculation and proposed tariff pages to incorporate the Summer 2022 COG season of May 1, 2022 – October 31, 2022"?

A. Yes, this filing represents the Company's updated Summer 2022 COG rate calculation that incorporates the $2.4835 being charged in May and calculates the COG rate through October 31, 2022.

The higher COG revenues that the Company estimates it will receive in May due to the $2.4835 COG rate had a downward effect on the otherwise typical calculation of the COG rate for the balance of the summer period. The Company also updated the projected market prices, which had an upward impact on the proposed rate. The result of this updated calculation is a proposed COG rate of $1.6220 for the period June 1, 2022, through October 31, 2022, as described in detail below.

III. SUMMER 2022 COST OF GAS FACTOR

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

A. The Company proposes an updated firm cost of gas rate of $1.6220 per therm for the Keene Division, to begin June 1, 2022, as shown on Proposed Third Revised Page 93.

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

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

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

1) The prior period under-collection of $18,017 is added to the anticipated cost of gas sendout; and
2) Interest of $274 is added to the anticipated cost of gas sendout. Schedule F shows this forecasted interest calculation for the period November 2021 through April 2022. Interest is accrued using the monthly prime lending rate as reported by the Federal Reserve Statistical Release of Selected Interest Rates.

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

Q. Please describe Schedule A.

A. Schedule A converts the propane gas volumes and unit costs from gallons to therms. The 321,744 therms represent sendout as detailed on Schedule B, lines 3 and 8. The blended unit cost of those supplies is $1.6701 per therm which represents the weighted average cost per therm for the summer period gas sendout as detailed on Schedule D, line 37.

Q. What is Schedule B?

A. Schedule B presents the final (over)/under collection calculation for the summer 2022 period based on the prior period (over)/under collection, forecasted volumes, the cost of gas, and applicable interest amounts. The forecasted total propane sendout of [redacted] therms on line 3, plus total CNG sendout of [redacted] therms on line 8, is the sum of the forecasted summer 2022 total firm sendout. The forecasted Firm Sales on line 26 represent weather normalized 2022 summer period firm sales. The weather normalization calculations for sendout and sales are found in Schedules G and H, respectively.

Q. Is the May 2022 rate of $2.4835 included in Schedule B?

A. Yes, in column 2, lines 26–28. This shows that based on projected sales of 64,616 therms in May 2022, the revenue collected is projected to be $160,474, column 2, line 28.

Q. How was the proposed cost of gas rate for June 1, through October 31, 2022, calculated?

A. See below for the proposed cost of gas rate calculation for June 1 through October 31, 2022.

Proposed Cost of Gas Rate June 1 through October 31, 2022	
Total Projected Propane Costs (Sch. B, Line 7, Column 8)	$416,218.00
Total Projected CNG Costs (Sch. B, Line 17, Column 8)	$141,953.05
O/U Collection @ 4/30/21 (Sch. B Line 38, Column 1)	$18,291.00
Projected Interest Cost (Sch. B, Line 37, Column 8)	($392.00)
Total COG Revenue Requirement	$576,070.05
Less Projected Revenue May 2022	($160,473.84)
Remaining Costs to be Collected June - October 2022	$415,596.21
Total Projected Therm Sales June-October 2022	256,222.00
Calculated Rate/Therm June - October 2022	$1.6220

Q. Are CNG demand charges included in this filing?

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

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

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

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

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

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

> The Company shall recover one-half of the incrementally higher CNG supply costs as compared to the propane supply cost,[8] incurred from the commencement of CNG service through October 31, 2021, to be recovered through inclusion over one year in the next Keene cost of gas during the winter or summer periods consistent with the season in which the incremental costs were originally incurred. The Company shall provide the supporting calculations in the Winter 2021-2022 Keene Cost of Gas filing. Incremental CNG supply costs through the 2020-2021 winter period are provided in Appendix 4.
>
> (a) Beginning November 1, 2021, if the CNG supply cost is higher than the propane supply cost as described in footnote 8, the Company shall recover one-half of the incrementally higher CNG supply cost, as determined through the cost of gas reconciliation process. If the CNG supply cost is lower than the propane supply cost, the Company shall recover and retain the full amount of the incrementally lower CNG supply cost up to the amount of incrementally higher CNG costs accrued since the commencement of CNG service, which has not then been recovered from customers, at which point the Company shall recover and retain one-half of the incrementally lower CNG supply costs. Reconciliation of the incremental CNG supply costs shall occur semi-annually in the Winter and Summer Cost of Gas filings, as applicable.

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

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

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

Q. Can you itemize the previous years' incremental costs/savings which are included in this filing?

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

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

For the summer of 2021, CNG costs were $[redacted] less expensive than propane. The Company again deferred, i.e., did not include, these savings in the 2020 COG rates. The Settlement Agreement allows the Company to recover 100% of these savings "up to the amount of incrementally higher CNG costs accrued since the commencement of CNG service, which has not then been recovered from customers," and thereafter shares any remaining savings with customers equally. Settlement Agreement at Bates 14. The amount of the "incrementally higher COG costs accrued since the commencement of CNG service" that the Company did not recover is $10,631. The rates proposed here thus include recovery of that amount, leaving $2,395 in savings to be addressed. The Settlement Agreement states that this remaining amount of CNG savings is to be shared equally with customers and, since the 2021 rates did not include recovery of any of the remaining $2,395 of incremental CNG savings, the rates proposed here include recovery of one-half of this remaining amount, or $1,197. This is included on Schedule M, in the $9,434, the summer 2021 savings.

The net incremental costs/savings for all three periods included in this filing are $15,017. These items are included in Schedule B, lines 12–14.

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

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

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

A. Yes. Over the summer of 2022, the Company projects CNG to be $11,641 less than propane costs over the summer of 2022 resulting in a savings for customers. The proposed rates in this filing include 50% of those savings in accordance with the Settlement Agreement in DG 20-105, Section 7.1(a). The calculated incremental projected savings are 50% of $11,641, or $5,821. This can be found on line 15 of Schedule B. The detailed calculation can be found on Schedule L.

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

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

Q. Please describe Schedules C and K.

A. Schedule C presents the forecasted market spot prices of propane. Column 1 shows the Mont Belvieu propane futures quotations as of March 2, 2022. Subsequent columns show expected broker/supplier fees, pipeline fees, and Propane Education & Research

Council (PERC) fees. These prices when added together represent a forecasted summer price of propane. This price is also represented in Schedule K, line 40. Note that as actual prices are realized, they will replace estimate pricing. The reconciliation of actual costs to estimated costs is continued throughout the summer as the actual data becomes available.

IV. PROPANE PURCHASING STABILIZATION PLAN

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

A. The Propane Purchasing Stabilization Plan is a Commission-approved strategy that the Company undertakes to provide stability in the winter COG rate and to facilitate the offering of a Fixed Price Option. Under this strategy, the Company systematically hedges supply purchases over the off-peak period to be utilized and called upon in the peak period. The strategy is intended to provide price stability rather than to secure lower prices. The PPSP was approved in Order No. 24,617 (Apr. 28, 2006), and has been discussed and authorized repeatedly in Keene's cost of gas proceedings ever since.

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

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

Q. Has the Company issued a Request for Proposals ("RFP") to potential suppliers for the 2022–2023 Plan?

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

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

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

V. <u>FIXED PRICE OPTION PROGRAM</u>

Q. Will there be a Fixed Price Option ("FPO") rate offered for the summer period?

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

VI. COST OF GAS RATE AND BILL COMPARISONS

Q. How was the cost of CNG purchases determined?

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

Q. Please describe Schedule D.

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

Q. What is shown on Schedule E?

A. Schedule E shows the under-collected balance for the prior summer 2021 period, including interest calculated in a manner consistent with prior years. The under-collected balance of $16,078 (line 36) is shown on Schedule E, line 1, Column 8.

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

A. Schedule F presents the interest calculation and adjustments on (over)/under-collected balances through October 2022. This is represented in the cost of gas calculation on Schedule B, line 37. The prior Period Balance is calculated below and found on Schedule B, Column 1, line 38.

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
Prior Period Ending Balance at 4/30/2022, Schedule B Column 1, Line 38	$	18,291.00

The forecasted (over)/under collection from Schedule F, Column 2, lines 7–12 is included in Schedule B, Columns 2–7, line 36

Q. What is included in the Adjustments, Column 3 of Schedule F?

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)
Reversal of the October 2021 Summer Accrual in November 2021	$	38,328.56
Total Adjustments	$	1,936.89

Q. How does the proposed June 1 through October 31, 2022 cost of gas rates compare with the previous summer's rates?

A. The proposed Non-FPO COG rate of $1.6220 per therm is an increase of $0.4399 or 37.2% from the summer 2021 approved rate of $1.1821 per therm, per Order No. 26,475 (April 30, 2021).

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

A. The main reason for the $0.4399 increase is the increase in projected market supply costs. This accounts for approximately 80% of the price increase. The remaining 20% of the increase is due to having started the Summer 2021 period with an over-collection versus starting the Summer 2022 period with an under-collection.

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

A. As shown on Schedule I-1, Column 14, lines 50 and 51, the typical residential heat and hot water customer would experience an increase of $39.27 or 46.9% in the gas component of their bills compared to the prior summer period. When the monthly customer charge, therm delivery charge, and LDAC are factored into the analysis, the typical residential customer would see a total bill increase of $43.50 or 20.1%, as shown on lines 54 and 55.

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

A. As shown on Schedule I-2, Column 14, lines 50 and 51, the typical commercial customer would experience an increase of $125.34 or 47.3% in the gas component of their bills compared to the prior summer period. When the monthly customer charge, therm delivery charge, and LDAC are factored into the analysis, the typical commercial customer would see a total bill increase of $138.20 or 19.6%, as shown on lines 54 and 55.

VII. <u>OTHER ITEMS</u>

Q. What is the status of CNG currently?

A. The Company began serving customers with CNG in October 2019. At present, the service territory for CNG is limited to the Monadnock Marketplace and a small portion of Key Road. The Company's short-term plan involves adding/converting more customers and expanding the natural gas footprint in this limited area as contemplated in the Settlement Agreement.[1] Since the fall, the Company has added two new commercial customers and extended the main by approximately 700 feet. There are plans to add a couple of other customers in the area, but likely not until later this year. The Company is considering a path forward to the transition to partial renewable fuel (RNG) and has retained a contractor to help determine what is possible and at what cost.

Q. When does the current CNG contract expire?

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

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

A. For the upcoming off-peak period, spot propane is anticipated to be seventeen cents per therm more expensive than CNG. The calculation of Spot Purchases cost per therm is found on Schedule K, line 40, less the CNG Deliveries cost per therm found on Schedule K, line 28.

Q. Does that comparison include the CNG demand charge?

A. Yes.

[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; <u>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.</u>" Settlement Agreement at Bates 14 (emphasis added).

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

A. Yes, as compared to this time last summer, the commodity prices have increased substantially. Global influences have continued to impact national markets as competition for supply increases in places such as Europe and Asia. These influences are impacting prices in all energy sectors across the US. For example, last year at this time, Mont Belvieu was forecasted to average 79 cents per gallon for the 2021 summer period. This year it is expected to average at $1.28 per gallon for 2022 summer – a 62% increase. As for natural gas benchmark prices, NYMEX at this time last year was averaging $2.89 per dekatherm ("Dth") whereas today it is averaging $8.23 per Dth – a 185% increase over last year. These costs directly impact the customer rates.

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

A. As described above, the Settlement Agreement defined how incremental costs or savings associated with CNG and propane costs are to be shared with customers. In its initial filing, the Company incorrectly presented the difference between the CNG and propane costs as a benefit to customers resulting in an overall reduction in the cost of gas. The updated filing on April 27, 2022, revised that calculation to show a benefit to the Company resulting in an overall increase in the cost of gas as defined in the risk-sharing mechanism in Section 7.1(a) of the Settlement Agreement of DG 20-105 where customers bear 50% of the incremental savings. To share these savings, the Company passes on the incremental savings to customers and therefore needed to increase the cost by $19,592, not decrease as indicated in the original filing.

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

This second revised filing reflects the extension of the April 2022 through May 2022 of $2.4835 and provides a revised COG rate calculation for the months of June through October 2022 per Order No. 26,218 (April 28, 2022).

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

A. Yes, forward market prices have changed. The Company updated pricing as of May 4, 2022. Since the March 15 filing, the projected cost of CNG increased thirty-three cents and the projected cost of propane decreased by six cents. This update also changed the delta between the two, of which the Company is allowed to keep 50% of the benefit because the price of CNG is less than the price of propane. This change lessened the gap between the two, thus reducing the chargeback to customers from approximately $19,000 as seen on Schedule B, line 15 to $[redacted].

Q. Does this conclude your testimony?

A. Yes, it does.

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