

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

Docket No. DG 22-XXX

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty
2022–2023 Local Distribution Adjustment Charge (LDAC)

**DIRECT TESTIMONY
OF
CATHERINE A. MCNAMARA**

August 2, 2022



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1 **I. INTRODUCTION**

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

3 A. My name is Catherine A. McNamara. My business address is 15 Buttrick Road,
4 Londonderry, New Hampshire.

5 **Q. Please state by whom you are employed.**

6 A. I am employed by Liberty Utilities Service Corp. (“LUSC”) as Analyst II, Rates and
7 Regulatory Affairs. LUSC provides local utility management, shared services, and
8 support to Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty (“Liberty” or
9 “the Company”) and its regulated water, wastewater, natural gas, and electric utility
10 affiliates.

11 **Q. Please describe your educational background and your business and professional
12 experience.**

13 A. I graduated from the University of Massachusetts, Boston, in 1993 with a Bachelor of
14 Science in Management with a concentration in accounting. In November 2017, I joined
15 Liberty as an Analyst in Rates and Regulatory Affairs. Prior to my employment at
16 LUSC, I was employed by Eversource as a Senior Analyst in the Investment Planning
17 group from 2015 to 2017. From 2008 to 2015, I was a Supervisor in the Plant
18 Accounting department. Prior to my position in Plant Accounting, I was a Financial
19 Analyst/General Ledger System Administrator within the Accounting group from 2000 to
20 2008.

1 **Q. Have you previously testified in regulatory proceedings before the New Hampshire**
2 **Public Utilities Commission (the “Commission”)?**

3 A. Yes. I have testified on multiple occasions before the Commission.

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

5 A. The purpose of my testimony is to explain the Company’s proposed 2022/2023 Local
6 Delivery Adjustment Charge, effective November 1, 2022.

7 **II. LOCAL DELIVERY ADJUSTMENT CHARGE (“LDAC”)**

8 **Q. What is the purpose of the LDAC?**

9 A. As described on page 33 of the Company’s tariff, the purpose of the LDAC is to adjust,
10 on an annual basis, the Company’s delivery charges in order to recover Conservation
11 Charges (“CC”), which includes the Energy Efficiency Charge (“EEC”), Revenue
12 Decoupling Adjustment Factor (“RDAF”), Property Tax Adjustment Mechanism
13 (“PTAM”), Environmental Surcharges (“ES”) including the Relief Holder Surcharge
14 (“RHS”) and the Manufactured Gas Program Surcharge (“MGP”), rate case expenses and
15 recoupment (“RCE”), and Gas Assistance Program costs (“GAP”).

16 **Q. What are the surcharges that will be billed under the LDAC?**

17 A. As shown on proposed Sixth Revised Page 101, the Company is submitting for approval
18 an LDAC of \$0.1398 per therm for residential customers, and \$0.0797per therm for the
19 commercial/industrial customers effective November 1, 2022, in accordance with HB549,
20 which I will discuss later in this testimony.

1 **Q. Which customers are billed an LDAC?**

2 A. All EnergyNorth customers, including those in Keene, are billed an LDAC. When
3 calculating the LDAC, the November 1, 2022, through October 31, 2023, forecasted
4 Keene therm sales of 5,774,961 are added to the EnergyNorth therm sales forecast of
5 180,494,423, for a total therm sales forecast of 186,269,384.

6 **Q. Please explain the Energy Efficiency Charge (“EEC”).**

7 A. The EEC is designed to recover the projected expenses associated with the Company’s
8 energy efficiency programs for the November 2022 through October 2023 period. In
9 February 2022, the New Hampshire Legislature enacted HB549 which set the rate for
10 residential and commercial customers for a calendar year, versus the LDAC period of
11 November through October. The rate calculation provides that the rate for residential
12 customers was set at \$0.0664 and \$0.0442 for commercial customers with an annual
13 adjustment of an additional 0.25% of the CPI for Urban Wage Earners and Clerical
14 workers, to be calculated by the Department of Energy annually for rates effective
15 January 1. The enactment of the legislation is unclear on how to handle over- and under-
16 collections and as such, the Company is not requesting to include its over-collection in
17 the rate from the 2022 program year at this time.

18 As shown on Schedule 2, the proposed EEC is \$0.0664 per therm for residential
19 customers and \$0.0442 per therm for commercial and industrial customers.

1 **Q. Please describe the Environmental Surcharge (“ES”)?**

2 A. The ES recovers environmental costs associated with investigation, testing, remediation,
3 litigation expenses, and other liabilities relating to manufactured gas program sites,
4 disposal sites, or other sites onto which material may have migrated, as a result of the
5 operating or decommissioning of New Hampshire gas manufacturing facilities. These
6 costs include the costs of the closure of the Relief Holder and pond at Gas Street,
7 Concord, NH. The ES also includes the expenses incurred by the Company in pursuing
8 insurance and third-party claims and any recoveries or other benefits received by the
9 Company as a result. The costs submitted for recovery through the ES cost recovery
10 mechanism, as well as the third-party recoveries, are included in Schedule 3 of this filing.
11 The environmental investigation and remediation costs that underlie these expenses are
12 the result of efforts by the Company to respond to its legal obligations with regard to
13 these sites, as described by Ms. Casey in her pre-filed direct testimony in this proceeding
14 and as outlined in the MGP site summaries included in this filing under Schedule 3. Any
15 prior period reconciliation adjustments are also incorporated into the environmental
16 surcharge rate calculation.

17 **Q. Please describe how the Company calculated the ES rate component of the LDAC**
18 **included in this filing.**

19 A. The ES rate calculated annually consists of one-seventh of actual environmental response
20 costs incurred by the Company in the twelve-month period ending June 30 of each year
21 until fully amortized (over seven years). Any insurance and third-party recoveries or
22 other benefits for the twelve-month period ending June 30 is applied to reduce the

1 unamortized balance, shortening the amortization period. The sum of these amounts plus
2 any prior period reconciliation is then divided by the Company's forecast of total firm
3 sales and delivery throughput for the upcoming twelve months of November 1 through
4 October 31. The Summary included in Schedule 3 provides the components that make up
5 the MGP rate component of the LDAC as follows:

- 6 • Prior period reconciliation of an estimated under recovery of \$2,833,284 for the
7 LDAC reconciliation period ending October 2022.
- 8 • An annual amortization amount of \$341,389 representing the third and final year
9 of a three-year amortization of \$1,024,167 related to a prior period reconciliation
10 of actual to forecast true-up through June 2019 as recommended by then NH
11 Public Utilities Commission Audit Staff in the Docket No. DG 19-145 Final
12 Audit Report dated April 9, 2020, and incorporated into the LDAC rates and
13 approved in Order No. 26,419 in Docket No. DG 20-141.
- 14 • \$1,324,603 associated with a seven-year amortization of remediation cost pools
15 for the Concord Pond, Concord MGP (excluding the Relief Holder), Manchester
16 MGP, Nashua MGP, and Laconia/Liberty Hill sites, and a General Pool for costs
17 that cannot be directly assigned to a specific site.

18 The resulting proposed MGP rate for the period beginning November 1, 2022, and ending
19 October 31, 2023, is \$0.0071 per therm. A summary sheet and detailed backup
20 spreadsheets that support the 2021/2022 costs are provided in Schedule 3 of this filing.
21 Ms. Casey's testimony describes the Company's activities.

1 New to this ES surcharge is the inclusion of the Relief Holder and pond at Gas Street in
2 Concord, NH. As described in more detail in Ms. Casey's testimony, the work associated
3 with the stabilization of the holder house was completed in July 2022. Liberty's
4 contribution portion of the costs of the stabilization work is \$486,596. The Company is
5 proposing a specific rate associated with the Relief Holder and pond as part of the ES
6 component of the LDAC rate of \$0.0004 per therm.

7 The overall ES surcharge rate combining the MGP and Relief Holder components is
8 \$0.0075 per therm.

9 **Q. Please explain the Revenue Decoupling Adjustment Factor ("RDAF").**

10 A. The purpose of the RDAF is to recover or refund, on an annual basis, the difference
11 between the Actual Base Revenue per Customer and the Benchmark Base Revenue per
12 Customer. Schedule 4 shows the prior period difference (September 2021 through
13 August 2022) between the proposed Actual Base Revenue per Customer and the
14 Benchmark Base Revenue per Customer calculation of a total under-collection of
15 \$3,563,691. Schedule 4 also includes a reconciliation of the amount of prior refunds
16 (accumulated through October 2021 and refunded from November 2021 through October
17 2022) of \$799,553 remaining to be refunded. As shown on Schedule 4, the proposed
18 RDAF charge is \$0.0409 per therm for residential customers and \$0.0030 per therm for
19 commercial and industrial customers.

1 **Q. Has the Company included the \$4,024,830 related to improperly refunded revenue**
2 **decoupling reconciliation revenues that is the subject of Docket No. DG 22-041 in**
3 **this RDAF calculation?**

4 A. No. The Company has removed the \$4,024,830 as this is the subject of a separate
5 proceeding, Docket No. DG 22-041.

6 **Q. Please describe the Property Tax Adjustment Mechanism (“PTAM”) charge.**

7 A. The PTAM reconciles the Company’s actual property tax expense during some period
8 with the revenue collected through customer rates.

9 **Q. What period is covered by the PTAM adjustment proposed in your testimony?**

10 A. The PTAM adjustment proposed here covers the period April 1, 2021, through March 31,
11 2022 (“Property Tax Year 2021”).

12 **Q. Did you perform your reconciliation in a manner that is consistent with the**
13 **processes and procedures described in the approved Settlement Agreement in**
14 **Docket No. DG 20-105?**

15 A. Yes.

16 **Q. Please describe the results of your analysis.**

17 A. In Order No. 26,505, the Commission approved the calculated amount of municipal
18 property taxes included in distribution rates as of March 31, 2021, totaling \$8,924,897.
19 The total amount of municipal property tax bills for the 2020 Property Tax year that the
20 Company received during the calendar year 2020 was \$10,897,564. The Company has
21 summed the municipal 2021 Property Tax year bills in the amount of \$10,938,366. The

1 Company is proposing to recover the difference between what is currently in rates
2 (\$10,897,564) and the 2021 total bills (\$10,938,366), or \$40,802. This calculation is
3 provided in Schedule 5, Page 3, of my testimony. Details of the property tax invoice
4 amounts by municipality and by parcel totaling \$10,938,366 are included in Schedule 5,
5 Page 4.

6 **Q. Has the Company reconciled the 2020 Property Tax year?**

7 A. Yes. Schedule 5, Page 2, provides the reconciliation for the period of January 1, 2022,
8 through October 31, 2022, resulting in an under collection of \$227,872, for a total
9 collection of \$268,674. The Company is requesting to include this amount in the rate for
10 November 1, 2022, spread over 186.269,384 therms. The rate resulting from this
11 calculation is \$0.0014 per therm.

12 **Q. Did the Company include a Rate Case Expense (RCE) surcharge in this filing?**

13 A. Yes. The Company requested to collect rate case expenses in DG 21-130, but the
14 Commission required a recommendation by the Department of Energy on the audit of the
15 expenses before approving the expenses in rates. As of the date of this filing, the
16 Company has not received that recommendation but anticipates by the time these rates
17 are approved that recommendation will be filed so the expenses may be included in rates
18 effective November 1, 2022.

1 **Q. Has the Company fully recovered the previously allowed Rate Case Expense**
2 **recoupment?**

3 A. No. As of June 30, 2022, the Company will have recovered \$1,019,372.82 of the
4 \$1,329,067 that was previously allowed for recoupment.

5 **Q. Has the Company included expenses that were not part of the audit?**

6 A. Yes. After the audit was completed, the Company received \$152,428.94 in additional
7 rate case expenses and is including those costs in this rate request.

8 **Q. Has the Company removed all rate case expenses associated with Granite Bridge in**
9 **its request?**

10 A. Yes.

11 **Q. Has the Company calculated a rate associated with these expenses?**

12 A. Yes. As shown on Schedule 6, the Company is proposing to collect \$874,718 in
13 uncollected rate case and recoupment expense consistent with Order No. 26,505 (July 30,
14 2021) in Docket No. DG 20-105. The RCE rate of \$0.0036 per therm is determined by
15 dividing the \$664,928 by the estimated November 2022 through October 2023 sales
16 volumes of 186,269,384 therms.

17 **Q. What is the proposed Gas Assistance Program (“GAP”) charge?**

18 A. As shown on Schedule 7, the proposed GAP charge is \$0.0200 per therm. It is designed
19 to recover administrative costs, revenue shortfall, and the prior period reconciliation
20 adjustment relating to this program. For the 2022/2023 winter period, the Company is
21 providing a 45% base rate and cost of gas discount, consistent with the settlement

1 agreement approved by the Commission in Order No. 26,397 (August 27, 2020) in
2 Docket No. DG 20-013. The proposed Residential Gas Assistance Program charge is
3 designed to recover \$3,720,397, of which \$1,212,534 is for the revenue shortfall resulting
4 from 6,097 customers receiving a 45% discount off their base and cost of gas rates, and
5 \$483,503 for the prior year reconciling adjustment.

6 **III. CUSTOMER BILL IMPACTS**

7 **Q. What are the estimated impacts of the proposed LDAC on an average heating**
8 **customer’s winter bill as compared to the winter rates in effect last year?**

9 A. The detailed bill impact analysis is presented in Schedule 8 of this filing. Please see the
10 table below for a summary of the total LDAC bill impact, for residential and commercial
11 customers.

LDAC Bill Impacts	Winter 2022–2023	Summer 2023	Total
Residential R-3	\$4.98 or 6.1%	\$1.13 or 6.1%	\$6.11 or 6.1%
Commercial/Industrial G-41	\$(37.56) or (19.50%)	\$(6.01) or (19.5%)	\$(43.57) or (19.5%)
Commercial/Industrial G-42	\$(345.60) or (19.5%)	\$(48.62) or (19.5%)	\$(394.22) or (19.5%)
Commercial/Industrial G-52	\$(209.10) or (19.5%)	\$(282.69) or (19.5%)	\$(491.79) or (19.5%)

12

13 **Q. Is the Company providing a redlined tariff as part of the LDAC reconciliation**
14 **filing?**

15 A. Yes, the Company is providing both a clean and redlined version of proposed tariff Page
16 101, as part of the LDAC reconciliation filing.

1 IV. **CONCLUSION**

2 Q. Does this conclude your testimony?

3 A. Yes, it does.