

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

Docket No. DG 22-045

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

Winter 2022/2023 Cost of Gas  
Summer 2023 Cost of Gas

**DIRECT TESTIMONY  
OF  
HEATHER M. TEBBETTS**

September 1, 2022



THIS PAGE INTENTIONALLY LEFT BLANK

1 **I. INTRODUCTION**

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

3 A. My name is Heather M. Tebbetts, my business address is 15 Buttrick Road, Londonderry,  
4 New Hampshire, and I am employed by LUSC. I am the Director of Business  
5 Development and in this role I am responsible for strategic growth and technology  
6 opportunities for New Hampshire.

7 **Q. Please describe your educational background and your business and professional  
8 experience.**

9 A. I graduated from Franklin Pierce University in 2004 with a Bachelor of Science degree in  
10 Finance. I received a Master's of Business Administration from Southern New  
11 Hampshire University in 2007. I joined Liberty in October 2014. Prior to my  
12 employment at Liberty, I was employed by PSNH as a Senior Analyst in NH Revenue  
13 Requirements from 2010 to 2014. Prior to my position in NH Revenue Requirements, I  
14 was a Staff Accountant in PSNH's Property Tax group from 2007 to 2010 and a  
15 Customer Service Representative III in PSNH's Customer Service Department from 2004  
16 to 2007.

17 **Q. Ms. Tebbetts, have you previously testified in regulatory proceedings before the  
18 New Hampshire Public Utilities Commission (the "Commission")?**

19 A. Yes, I have.

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

2 A. The purpose of my testimony is to explain the Company's updated proposed firm sales  
3 cost of gas rates for the 2022/2023 Winter (Peak) Period and 2023 Summer (Off-Peak)  
4 Period.

5 **II. WINTER 2022/2023 COST OF GAS FACTOR**

6 **Q. What are the proposed firm Winter sales and firm transportation cost of gas rates?**

7 A. The Company proposes a firm sales cost of gas rate of \$1.7335 per therm for residential  
8 customers, \$1.7336 per therm for commercial/industrial high winter use customers, and  
9 \$1.7331 per therm for commercial/industrial low winter use customers as shown on  
10 Proposed Seventh Revised Page 95. The Company proposes a firm transportation cost of  
11 gas rate of \$0.0098 per therm as shown on Proposed Second Revised Page 98.

12 **Q. Please explain tariff page Proposed Seventh Revised Page 95.**

13 A. Proposed Seventh Revised Page 95, contains the calculation of the 2022/2023 Winter  
14 Period Cost of Gas Rate and summarizes the Company's forecast of firm gas costs and  
15 firm gas sales. As shown on Page 95, the proposed 2022/2023 Average Cost of Gas of  
16 \$1.7335 per therm is derived by adding the Direct Cost of Gas Rate of \$1.6754 per therm  
17 to the Indirect Cost of Gas Rate of \$0.0581 per therm. The estimated total Anticipated  
18 Direct Cost of Gas, derived on Proposed Seventh Revised Page 95, is \$155,443,989. The  
19 estimated Indirect Cost of Gas, also derived on Page 95, is \$5,391,889. The Direct Cost  
20 of Gas Rate of \$1.6754 and the Indirect Cost of Gas Rate of \$0.0581 are determined by  
21 dividing each of these total cost figures by the projected winter period firm sales volumes  
22 of 92,780,984 therms.

1 To calculate the total Anticipated Direct Cost of Gas, the Company adds a list of  
2 allowable adjustments from deferred gas cost accounts to the projected demand and  
3 commodity costs for the winter period supply portfolio. These allowable adjustments,  
4 shown on Proposed Second Revised Page 96, total \$2,514,711. These adjustments are  
5 added to the Unadjusted Anticipated Cost of Gas of \$152,929,278 to determine the Total  
6 Anticipated Direct Cost of Gas of \$155,443,989.

7 **Q. What are the components of the Unadjusted Anticipated Cost of Gas?**

8 A. The Unadjusted Anticipated Cost of Gas shown on Proposed Second Page 96 consists of  
9 the following components:

10	1. Purchased Gas Demand Costs	\$11,510,320
11	2. Purchased Gas Commodity Costs	121,326,019
12	3. Storage Demand and Capacity Costs	999,899
13	4. Storage Commodity Costs	12,469,948
14	5. Produced Gas Cost	12,645,303
15	Hedge Underground Storage Contract (saving)/Loss	<u>(6,022,210)</u>
16	Total	<u>\$152,929,278</u>

17 **Q. What are the components of the allowable adjustments to the Cost of Gas?**

18 A. The allowable adjustments to gas costs, listed on Proposed Second Revised Page 96, are  
19 as follows:

20	1. Deferred Gas Cost Prior Period Under Collection	\$4,089,654
21	2. Interest	(48,335)
22	3. Fuel Inventory Revenue Requirement	515,609
23	4. Broker Revenues	(3,600)
24	5. Transportation COG Revenue	(422,021)
25	6. Capacity Release Margin	(1,676,512)
26	7. Fixed Price Administrative Cost	<u>59,917</u>
27	Total Adjustments	<u>\$2,514,711</u>

1 These allowable adjustments are standard adjustments made to the deferred gas cost  
2 balance through the operation of the Company's cost of gas adjustment clause. We  
3 discuss the factors contributing to the prior period under-collection later in this testimony.

4 **Q. How does the proposed average cost of gas rate in this filing compared to the**  
5 **average cost of gas rate approved by the Commission in Docket No. DG 21-130 for**  
6 **the 2021/2022 winter period?**

7 A. The table below contains the comparison of the cost of gas rate approved in Docket No.  
8 DG 21-130, to the proposed rate in this filing.

	<b>Rates Effective November 1, 2021 (Order No. 26,541)</b>	<b>November 1, 2022 Proposed Rate</b>	<b>Change</b>	<b>% Change</b>
<b>Residential – R3</b>	<b>\$1.1339</b>	<b>\$1.7335</b>	<b>\$0.5996</b>	<b>53%</b>
<b>C&amp; I - G41</b>	<b>\$1.1341</b>	<b>\$1.7336</b>	<b>\$0.5995</b>	<b>53%</b>
<b>C&amp;I - G42</b>	<b>\$1.1341</b>	<b>\$1.7336</b>	<b>\$0.5995</b>	<b>53%</b>
<b>C&amp; I - G52</b>	<b>\$1.1324</b>	<b>\$1.7331</b>	<b>\$0.6007</b>	<b>53%</b>

9  
10 **Q. How does the proposed firm transportation winter cost of gas rate compare to the**  
11 **rate approved by the Commission for the 2020/2021 winter period?**

12 A. The proposed firm transportation winter cost of gas rate is \$0.0098 per therm. The rate  
13 approved in Docket No. DG 21-130 was \$0.0002 per therm. There is a \$0.0096 increase  
14 in the firm transportation rate. The increase is due to the increase in anticipated gas costs,

1 due to market pricing. Market changes are discussed more in-depth in Ms. Gilbertson's  
2 testimony in this docket.

	<b>Rates Effective November 1, 2021 (Order No. 26,541)</b>	<b>November 1, 2022 Proposed Rate</b>	<b>Change</b>	<b>% Change</b>
<b>Transportation</b>	<b>\$0.0002</b>	<b>\$0.0098</b>	<b>\$0.0096</b>	<b>4800%</b>

3  
4 **Q. In the calculation of its firm transportation winter cost of gas rate, has the Company**  
5 **updated the estimated percentage used for pressure support purposes?**

6 A. No. The pressure support purposes rate of 8.7% stayed the same based on the marginal  
7 cost study used for the rate design approved in Docket No. DG 20-105.

8 **Q. Did the Company include a fuel inventory revenue requirement calculation in this**  
9 **filing?**

10 A. Yes. The calculation is provided on Schedule 26. The Company is proposing to collect  
11 \$515,609 in fuel inventory revenue requirement consistent with the approved rate of  
12 return in Order No. 26,505 (July 30, 2021) in Docket No. DG 20-105. The impact of this  
13 amount to the overall Cost of Gas rate is \$0.0056 per therm, which is determined by  
14 dividing the \$515,609 by the estimated November 2022 through April 2023 COG sales  
15 volumes of 92,780,984 therms.

1 **Q. How was the statutory tax rate of 27.08% on Schedule 26 calculated?**

2 A. The statutory rate of 27.08% was calculated by using a 21% federal tax rate and a 7.7%  
3 tax rate for the State of New Hampshire ( $0.21 + 0.077 - (0.21 \times 0.077) = 0.27083$ ).

4 **Q. How was the common equity pre-tax rate of 6.64% on Schedule 26 calculated?**

5 A. The common equity pre-tax rate of 6.64% was calculated by dividing the 9.30% rate of  
6 return on common equity, approved in Docket No. DG 20-105, by 0.72917 ( $1 - 0.27083$ )  
7 [statutory tax rate – see previous question] and multiplied by 52.00% (equity component  
8 of the capital structure approved in DG 20-105) [ $0.093 / 0.72917 \times 0.5200 = 0.06664$ ].

9 **Q. Has the bad debt percentage in this filing of 0.86% changed from the bad debt  
10 percentage calculated in the Winter 2021/2022 Cost of Gas Reconciliation?**

11 A. Yes. The bad debt percentage of 0.86% used in this filing is the calculated rate for the  
12 period of May 2021–April 2022. The bad debt percentage that was calculated in the  
13 Winter 2021/2022 Cost of Gas Reconciliations for the period of May 2020–April 2021  
14 was 0.70%.

	<b>Approved Rate Docket No. DG 21-130</b>	<b>Proposed Rate</b>	<b>Change</b>
<b>Bad Debt %</b>	<b>0.70%</b>	<b>0.86%</b>	<b>0.16%</b>

15



1 **Q. What was the actual weighted average firm sales cost of gas rate for the 2021/2022**  
2 **winter period?**

3 A. The weighted average cost of gas rate was \$0.8411 per therm. This was calculated by  
4 applying the actual monthly cost of gas rates for November 2021 through April 2022 to  
5 the monthly therm usage of an average residential heating customer using 621 therms for  
6 the six winter period months. Below is a table showing various rate classes and their  
7 change:

	<b>Average COG Rate Winter 2021/2022</b>	<b>Proposed Rate</b>	<b>Change</b>	<b>% Change</b>
<b>Residential – R3</b>	<b>\$0.8411</b>	<b>\$1.7335</b>	<b>\$0.8924</b>	<b>106%</b>
<b>C&amp; I - G41</b>	<b>\$0.8311</b>	<b>\$1.7336</b>	<b>\$0.9025</b>	<b>109%</b>
<b>C&amp;I - G42</b>	<b>\$0.8432</b>	<b>\$1.7336</b>	<b>\$0.8904</b>	<b>106%</b>
<b>C&amp; I - G52</b>	<b>\$0.8729</b>	<b>\$1.7331</b>	<b>\$0.8602</b>	<b>99%</b>

8  
9 **Q. What is the current percentage used to calculate the maximum increase in the Cost**  
10 **of Gas rate?**

11 A. The current percentage used to calculate the maximum allowed increase to the Cost of  
12 Gas rate is 25% for both the Winter and Summer period Cost of Gas rates.

1 **III. PRIOR WINTER PERIOD UNDER-COLLECTION**

2 **Q. Please explain the prior period under-collection of \$5,177,233.**

3 A. The prior period under-collection is detailed in the 2021/2022 winter period  
4 reconciliation that was filed with the Commission on July 29, 2022. The \$5,177,233  
5 under-collection is the sum of the deferred gas cost, bad debt, and working capital over-  
6 and under-collection balances as of April 30, 2022. The under-collection was driven by  
7 the lag in the timing of monthly cost of gas rate adjustments as compared to changes in  
8 the underlying costs and a \$2,143,632 increase in costs that were charged to summer for  
9 storage contracts that should have been charged to winter. This was found during the  
10 preparation of the reconciliation by the Company.

11 **IV. FIXED PRICE OPTION**

12 **Q. Has the Company established a winter period fixed price pursuant to its Fixed Price  
13 Option Program?**

14 A. Yes. Pursuant to Order No. 24,515 in Docket No. DG 05-127, the Fixed Price Option  
15 Program (“FPO”) rates are set at \$0.0200 per therm higher than the initial proposed COG  
16 rate. Proposed Second Revised Page 94 contains the FPO rate for the 2022/2023 winter  
17 period, which is \$1.7535 per therm for residential customers. This compares to the FPO  
18 rate approved for the 2021/2022 winter period of \$1.1539 per therm for residential  
19 customers. This represents a \$0.5996 per therm or 52% increase in the residential FPO  
20 rate. The total bill impact on the winter period bills for an average FPO heating customer  
21 using 621 therms is an increase of approximately \$434.57 or 35% compared to last

1 winter's approved FPO rate. Schedule 23 contains the historical results of the FPO  
2 program.

	<b>Winter 2022/2023 FPO Bill Impact</b>	<b>Winter 2022/2023 Non-FPO Bill Impact</b>
<b>Residential - R3</b>	\$434.57 or 35%	\$616.30 or 59%

3  
4 **Q. Has the Company also updated its Company Allowance percentage for the period**  
5 **November 2021 through October 2022 in accordance with Section 8 of the**  
6 **Company's Delivery Terms and Conditions?**

7 A. Yes, in Schedule 25 the Company has recalculated its Company Allowance for the period  
8 November 2022 through October 2023. The Company calculated the Company  
9 Allowance of 2.5% based on sendout and throughput data for the twelve months ending  
10 June 2022. The Company proposes to apply this recalculated Company Allowance to all  
11 supplier deliveries beginning in November 2022.

12 **V. CUSTOMER BILL IMPACTS**

13 **Q. What are the estimated impacts of the proposed firm sales cost of gas rate on an**  
14 **average heating customer's winter bill as compared to the winter rates in effect last**  
15 **year?**

16 A. The bill impact analysis is presented in Schedule 8 of this filing. These bill impacts  
17 reflect the implementation of the step increase approved in Docket No. DG 20-105  
18 effective August 1, 2022, relating to the EnergyNorth distribution rate case. The bill

1 impacts also include the LDAC rates included in the September 1, 2022, filing. Below is  
2 a summary of the total bill impacts of the proposed rates.

	<b>Winter 2022/2023 Bill Impact</b>	<b>Summer 2023 Bill Impact</b>	<b>Annual Bill Impact</b>
<b>Residential - R3</b>	<b>\$616 or 59%</b>	<b>\$96 or 39%</b>	<b>\$713 or 55%</b>
<b>Residential - R3 FPO</b>	<b>\$434 or 35%</b>	<b>N/A</b>	<b>\$434 or 35%</b>
<b>Residential – R4 GAP</b>	<b>\$367 or 46%</b>	<b>N/A</b>	<b>\$367 or 46%</b>
<b>C&amp; I - G41</b>	<b>\$1,891 or 68%</b>	<b>\$213 or 34%</b>	<b>\$2,104 or 62%</b>
<b>C&amp;I - G42</b>	<b>\$16,652 or 71%</b>	<b>\$1,854 or 65%</b>	<b>\$18,507 or 70%</b>
<b>C&amp; I - G52</b>	<b>\$14,864 or 109%</b>	<b>\$8906 or 85%</b>	<b>\$23,769 or 99%</b>

3

4 **VI. OTHER TARIFF CHANGES**

5 **Q. Is the Company updating its Delivery Terms and Conditions in the filing?**

6 A. Yes. The Company is submitting Proposed Second Revised Page 153 relating to Supplier  
7 Balancing and Peaking Demand Charges and Proposed Second Revised Page 154 relating  
8 to Capacity Allocation.

9 **Q. Please describe the changes to tariff Page 153.**

10 A. In Proposed Second Revised Page 153, the Company is updating the Peaking Demand  
11 Charge from \$54.72 per MMBtu of Peak MDQ to \$56.69 per MMBtu of Peak MDQ.  
12 This calculation is also presented in Schedule 21.

1 **Q. Please describe the changes to tariff Page 154.**

2 A. Proposed Second Revised Page 154 updates the Capacity Allocator percentages used to  
3 allocate pipeline, storage, and local peaking capacity to high and low load factor  
4 customers under the mandatory capacity assignment requirement for firm transportation  
5 service. Schedule 22 contains the six-page worksheet that backs up the calculations for  
6 the updated allocators.

7 **VII. SUMMER 2021 COST OF GAS FACTOR**

8 **Q. What are the proposed 2023 summer firm sales cost of gas rates?**

9 A. The Company proposes a firm sales cost of gas rate of \$1.0109 per therm for residential  
10 customers, \$1.0111 per therm for commercial/industrial high winter use customers, and  
11 \$1.0106 per therm for commercial/industrial low winter use customers as shown on  
12 Proposed Fourth Revised Page 92.

13 **Q. Please explain tariff pages Proposed Third Revised Page 91 and Proposed Fourth  
14 Revised Page 92.**

15 A. Proposed Third Revised Page 91 and Proposed Fourth Revised Page 92 contain the  
16 calculation of the 2022 Summer Period Cost of Gas Rate and summarize the Company's  
17 forecast of firm gas sales, firm gas sendout, and gas costs. On Proposed Fourth Revised  
18 Page 92, the 2022 Average Cost of Gas of \$1.0109 per therm is derived by adding the  
19 Direct Cost of Gas Rate of \$0.9544 per therm to the Indirect Cost of Gas Rate of  
20 \$0.0565 per therm. The estimated total Anticipated Direct Cost of gas is \$22,570,412  
21 and the estimated Indirect Cost of Gas is \$1,335,482. The Direct Cost of Gas Rate and  
22 the Indirect Cost of Gas Rates are determined by dividing each of these total cost figures

1 by the projected summer firm sales volumes of 23,648,905 therms. Proposed Fourth  
2 Revised Page 92 further shows that the Residential Cost of Gas Rate of \$1.0109 per  
3 therm is equal to the Average Cost of Gas for all firm sales customers. It also shows the  
4 calculation of the Commercial/Industrial High Winter Use Cost of Gas Rate of \$1.0111  
5 per therm and the Commercial/Industrial Low Winter Use Cost of Gas Rate of \$1.0106  
6 per therm.

7 The calculation of the Anticipated Direct Cost of Gas is shown on Proposed Third  
8 Revised Page 91. To derive the total Anticipated Direct Cost of Gas of \$22,570,412 the  
9 Company starts with the Unadjusted Anticipated Cost of Gas of \$14,718,754 and adds  
10 the Net Adjustment totaling \$7,851,658.

11 **Q. What are the components of the Unadjusted Anticipated Cost of Gas?**

12 A. The components of the unadjusted cost of gas can be found on the Off-Peak Summary  
13 schedule, lines 9–23. The Unadjusted Anticipated Cost of Gas consists of the following:

14	1. Purchased Gas Demand Costs	\$3,233,514
15	2. Purchased Gas Supply Costs	11,326,100
16	3. Produced Gas Costs	<u>159,140</u>
17	Total Unadjusted Anticipated Cost of Gas	<u>\$14,718,754</u>

18 **Q. What are the components of the adjustments to the cost of gas?**

19 A. The components of the adjustments to the cost of gas can be found on the Off-Peak  
20 Summary schedule, lines 25–40. The adjustments to gas costs, listed on Proposed Third  
21 Revised Page 91 are as follows:

22	1. Prior Period (Over)/Under Collection	\$7,499,663
23	2. Interest	<u>351,995</u>

1           Total Adjustments   \$7,851,658

2   **Q.     How does the proposed average Summer cost of gas rates in this filing compare to**  
 3           **the cost of gas rates approved by Order No. 26,541, dated October 29, 2021, in**  
 4           **Docket No. DG 21-130 for the 2022 Summer Period?**

5   A.     See the table below.

	<b>Rates Effective May 1, 2022 (Order No. 26,541)</b>	<b>Proposed Rate</b>	<b>Change</b>	<b>% Change</b>
<b>Residential – R3</b>	<b>\$0.5587</b>	<b>\$1.0109</b>	<b>\$0.4422</b>	<b>81%</b>
<b>C&amp; I - G41</b>	<b>\$0.5593</b>	<b>\$1.0111</b>	<b>\$0.4518</b>	<b>81%</b>
<b>C&amp;I - G42</b>	<b>\$0.5593</b>	<b>\$1.0111</b>	<b>\$0.4518</b>	<b>81%</b>
<b>C&amp; I - G52</b>	<b>\$0.5580</b>	<b>\$1.0106</b>	<b>\$0.4422</b>	<b>81%</b>

6

7   **Q.     How does the proposed average Summer cost of gas rates in this filing compare to**  
 8           **the cost of gas rates approved by Order No. 26,649 in Docket No. DG 21-130 for the**  
 9           **2022 Summer Period?**

10 A.     See the table below.

	<b>Per Order No. 26,649 (Jul. 15, 2022) in Docket No. DG 21-130</b>	<b>Proposed Rate</b>	<b>Change</b>	<b>% Change</b>
<b>Residential – R3</b>	<b>\$1.2295</b>	<b>\$1.0109</b>	<b>(\$0.2186)</b>	<b>-18%</b>
<b>C&amp; I - G41</b>	<b>\$1.2303</b>	<b>\$1.0111</b>	<b>(\$0.2194)</b>	<b>-18%</b>
<b>C&amp;I - G42</b>	<b>\$1.2303</b>	<b>\$1.0111</b>	<b>(\$0.2194)</b>	<b>-18%</b>
<b>C&amp; I - G52</b>	<b>\$1.2284</b>	<b>\$1.0106</b>	<b>(\$0.2178)</b>	<b>-18%</b>

1

2 **VIII. CONCLUSION**

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

4 **A. Yes, it does.**