REDACTED

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

Docket No. DG 22-XXX

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty–Keene Division
Winter 2022/2023 Cost of Gas

DIRECT TESTIMONY

OF

DEBORAH M. GILBERTSON

AND

HEATHER M. TEBBETTS

September 15, 2022

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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.

(HT) My name is Heather M. Tebbetts. My business address is 15 Buttrick Road, Londonderry, New Hampshire. My title is Director, Business Development.

Q. By whom are you employed?

A. We are employed by Liberty Utilities Service Corp. ("LUSC"). LUSC provides local utility management, shared services, and support to Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty ("Liberty" or "the Company") and its regulated water, wastewater, natural gas, and electric utility affiliates.

Q. On whose behalf are you testifying?

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

Q. Ms. Gilbertson, please summarize your educational background and your business and professional experience.

A. I graduated from Bentley College in Waltham, Massachusetts, in 1996 with a Bachelor of Science in Management. In 1997, I was hired by Texas Ohio Gas where I was employed as a Transportation Analyst. In 1999, I joined Reliant Energy, located in Burlington, Massachusetts, as an Operations Analyst. From 2000 to 2003, I was employed by Smart Energy as a Sr. Energy Analyst. In 2004, I joined Keyspan Energy Trading as a Sr. Resource Management Analyst, and from 2008 to 2011, I was employed by National

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

Q. Have you previously testified in regulatory proceedings before the New Hampshire Public Utilities Commission (the "Commission")?

A. Yes, I have.

Q. Ms. Tebbetts, please describe your educational background and your business and professional experience.

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

Q. Have you previously testified in regulatory proceedings before the Commission?

A. Yes, I have.

Q. What is the purpose of your testimony?

A. The purpose of our testimony is to explain the Company's proposed cost of gas rates for its Keene Division for the 2022/2023 winter (peak) period to be effective beginning on November 1, 2022. Our testimony will also address bill comparisons and other items related to the winter period.

II. WINTER 2022/2023 COST OF GAS FACTOR

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

A. The Company proposes a firm cost of gas rate of $2.2194 per therm for the Keene Division as shown on Eighth Revised Page 97.

Q. Please explain the calculation of the Cost of Gas rate on tariff page Eighth Revised Page 97.

A. Eighth Revised Page 97 contains the calculation of the 2022/2023 Winter Period Cost of Gas Rate ("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 November 1, 2022, through April 30, 2023, is $2,301,888. The information presented on the tariff page is supported by Schedules A through J 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 $192,310 is added from the anticipated cost of gas sendout; and

2) Interest of $3,065 is added to the anticipated cost of gas sendout for the period of May 2022 through October 2022. Schedule H shows this forecasted interest calculation for the period May 2022 through April 2023. 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 $2.2194 per therm was calculated by dividing the Total Anticipated Cost of Gas of $2,301,888 by the Projected Gas Sales of 1,25,173 therms. The Fixed Price Option ("FPO") rate of $2.2394 per therm was established by adding a $0.02 per therm premium to the Non-FPO rate

Q. Please describe Schedule A.

A. Schedule A converts the gas volumes and unit costs from gallons to therms. The 1,195,022 therms represent sendout as detailed on Schedule B, line 3 and line 9. The blended unit cost of those supplies is $[redacted] per therm which represents the weighted average cost per therm for the winter period gas sendout as detailed on Schedule F, line 55.

Q. What is Schedule B?

A. Schedule B presents the anticipated (over)/under collection calculation for the winter 2022/2023 period based on the forecasted volumes, the cost of gas, and applicable interest amounts. The forecasted total propane sendout on line 3, plus total CNG sendout on line 9, is the sum of the weather normalized 2022/2023 winter period firm sendout and company use. The forecasted Firm Sales on line 1 represent weather normalized

2022/2023 winter period firm sales. The weather normalization calculations for sendout and sales are found in Schedules I and J, respectively.

Q. Are CNG demand charges included in this filing?

A. Yes, CNG demand charges are included in Schedule B on line 12.

Schedule B, line 12, includes 75% of the 2022/2023 demand charges. These charges are [redacted] per month or [redacted] for the season and represent the portion attributable to the winter period.

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

A. Yes, prior winter period incremental costs are included at a rate of 50% for the winter of 2019/2020 and winter of 2020/2021, per Section 7.1 of the Settlement Agreement in Docket No. DG 20-105. The calculation can be found on Schedule O. Projected savings for winter 2021/2022 of $37,737 are included at 100% because that amount does not exceed the 50% of accumulated incremental CNG costs from prior periods.

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

A. The net incremental costs included in this filing are $60,995. These items can be found on Schedule B, line 13.

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 9. The Company actively monitors its level of unaccounted-for volumes, which amounted to 2.11% for the twelve months ended June 30, 2022.

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

A. Schedule C presents the calculation of the total forecasted cost of gas purchases in the 2022/2023 winter period, segregated by Propane Purchasing Stabilization Plan ("PPSP") purchases, available storage deliveries from Liberty's Amherst facility, CNG deliveries, and spot purchases.

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

Schedule E presents the forecasted market spot prices of propane. Column 1 of the Schedule represents the Mont Belvieu propane futures quotations as of August 25, 2022, followed by projected broker fees, pipeline fees, PERC fees, supplier charges, and trucking charges. Together, the pricing and fees make up the expected cost of spot propane purchases as represented in Schedule C, line 32.

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

A. The PPSP, as approved in Order No. 24,617 in Docket No. DG 06-037, was again implemented for the winter of 2022/2023. As shown on Schedule D, the Company pre-purchased 700,000 gallons of propane between April and September at a weighted

average price of $1.5099 per gallon ($1.6501 per therm), inclusive of broker, pipeline, Propane Education & Research Council ("PERC"), and trucking charges in effect at the time of the supplier's bid.

Q. Have the pre-purchased volumes in the PPSP changed since 2021/2022?

A. No. The volume remains at 700,000 gallons or 640,500 therms. The Keene Division maintains a pre-purchase hedge of approximately 65%.

Q. How was the cost of CNG purchases determined?

A. The CNG costs are shown in Schedule C, lines 20 through 27. These costs reflect the contractual agreement between the Company and its supplier, Xpress Natural Gas, LLC.

Q. Please describe Schedule F.

A. Schedule F contains the calculation of the weighted average cost of inventory for each month through April 2023. The unit cost of projected gas to be sent out each month utilizes this weighted average inventory cost, which is inclusive of all PPSP purchases, spot purchases, Amherst storage withdrawals, and CNG deliveries. Note that the CNG deliveries are shown in separate columns from the propane-weighted cost but are included in the average winter rate, which is established on line 55 of Schedule F. This mix of supply purchases is also itemized on Schedule C.

Q. What is shown on Schedule G?

A. Schedule G shows the under-collected balance for the prior winter 2021/2022 period, including interest calculated in a manner consistent with prior years. The under-collected balance of $67,057 is shown on line 52.

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

A. Schedule H presents the interest calculation and adjustments on (over)/under-collected balances through April 2022. The prior period under-collection of $223,755 plus the adjustments total $192,310, the anticipated balance on October 31, 2022, plus interest of $3,065, for a total under-collection from winter 2021/2022 of $195,375.

III. FIXED PRICE OPTION PROGRAM

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

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

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

A. Yes. As approved in Order No. 24,516 in Docket No. DG 05-144, the Company has added a $0.02 per therm premium to the $2.2194 per therm Non-FPO cost of gas rate, to derive the FPO rate of $2.2394 per therm.

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

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

IV. COST OF GAS RATE AND BILL COMPARISONS

Q. How do the proposed Winter 2022/2023 cost of gas rates compare with the previous winter's rates?

A. The proposed Non-FPO COG rate of $2.2194 per therm is an increase of $0.3453 or 18% from the winter 2021/2022 approved rate of $1.8741 per therm, in Docket No. DG 21-132, which approved interim Cost of Gas rates.

The proposed FPO rate is $2.2394 per therm, representing an increase of $0.3453 per therm or 18% from last winter's interim fixed rate of $1.8941.

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

A. The main reason for the $0.3453 increase is due to the increase in supply costs because of market futures.

Q. What is the impact of the Winter 2022/2023 COG rate on the typical residential heat and hot water customer participating in the FPO program?

A. As shown on Schedule K-1, Column 7, lines 33 and 34, the typical residential heat and hot water FPO customer would experience an increase of $154.37 or 18.2% in the gas component of their bills compared to the prior winter period.

Q. What is the impact of the Winter 2022/2023 COG rate on the typical residential heat and hot water customer choosing the Non-FPO program?

A. As shown on Schedule K-2, Column 7, lines 30 and 31, the typical residential heat and hot water Non-FPO customer is projected to see an increase of $110.14 or 12.5% in the gas component of their bills compared to the prior winter period.

Q. Please describe the impact of the Winter 2022/2023 COG rate on the typical commercial customer compared to the prior winter period.

A. Schedule L-1 illustrates that the typical commercial FPO customer would see a $594.27 or 18.2% increase in the gas component of their bill and a 13.5% increase in their total bill. Schedule L-2 shows that the typical commercial Non-FPO customer would see increases of $590.65 or an 18.3% increase in the gas component of their bill and a 13.5% increase in their total bill.

V. OTHER ITEMS

Q. What is the status of CNG currently?

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

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

A. For the upcoming peak period, spot propane is [redacted] cents per therm less expensive than CNG. The calculation is Spot Purchases cost per therm found on Schedule C, line 31 less the CNG Deliveries cost per therm found on Schedule C, line 24.

Q. Does that comparison include the CNG demand charge?

A. Yes.

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

A. No, the Company has allocated 75% of the demand charge to the winter period, and 25% of the demand charge to the summer period. In Order No. 26,505 (July 30, 2021), the Commission approved the Settlement Agreement in the Company's distribution service rate case, which adjusted this allocation to 75% in the winter period and 25% in the summer.

Q. Can you comment on energy prices for the upcoming heating season?

A. According to the U.S. Energy Information Administration's (EIA) short-term energy outlook, energy prices including propane, natural gas, coal, and electricity will remain historically high throughout 2023. There are a variety of contributing factors including geopolitical uncertainties and tight inventories. The Company has been and continues to seek the lowest cost solutions for both propane and CNG by locking in supply early using physical hedging, refilling storage in off-peak periods, and using price optionality as outlined in our CNG contract to obtain the least cost option in both winter and summer.

Q. When does the existing CNG contract expire?

A. The current CNG contract will expire at the end of June 2024; it is a three-year contract that went into effect on July 1, 2021.

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

A. The Company has a net storage capacity at its plant in Keene of approximately 75,000 gallons of propane. Additionally, Liberty has approximately 129,800 gallons of propane at the Amherst storage facility located approximately 50 miles from the Keene plant. This storage facility is shared between the Keene Division and EnergyNorth. In addition, the Company will arrange its standard trucking commitment with Northern Gas Transport, Inc. for transportation from this storage facility to the Keene plant. Further, the Company has contracted for CNG deliveries to provide service to a section of its system. The firm trucking arrangement coupled with onsite CNG trailers is more than enough to meet the 7-day demand requirement for the 2022/2023 peak period.

Q. Does this conclude your testimony?

A. Yes, it does.