

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

Docket No. DG 23-XXX

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

**DIRECT TESTIMONY
OF
DEBORAH M. GILBERTSON
AND
JAMES M. KING**

March 20, 2023



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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 (JK) My name is James M. King. 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. Mr. King, please describe your educational background, and your business and**
6 **professional experience.**

7 A. I joined Liberty in September 2022. Prior to joining Liberty, I was employed by the
8 Massachusetts Department of Public Utilities from 2014 through 2022. I held positions
9 as an Economist III and Economist II in the Rates and Revenue Requirements Division
10 responsible for the review and analysis of base distribution rate cases, as well as other
11 rate reconciliation mechanisms presented to the Department from Massachusetts' gas,
12 electric, and water companies. I graduated from Franklin and Marshall College in
13 Lancaster, Pennsylvania, in 2013 with a Bachelor of Social Science in Government and
14 Economics.

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

18 A. Yes, we have.

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

20 A. The purpose of our testimony is to explain the Company's proposed Cost of Gas
21 (“COG”) rates for its Keene Division for the 2023 summer (off-peak) period to be

effective beginning May 1, 2023. Our testimony will also address bill comparisons and other items related to the summer period.

II. SUMMER COST OF GAS RATE

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

A. The Company proposes a firm cost of gas rate of \$1.4761 per therm for the Keene Division as shown on Attachment JMK-1, Summary Schedule.

Q. Please explain the calculation of the summer COG rate.

A. The Summary Schedule in Attachment JMK-1 contains the calculation of the 2023 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, 2023, is \$549,116 and forecasted interest is (\$418) for a total of \$548,698. The prior period over collection of (\$26,705) is added to the forecasted cost of gas for a total anticipated cost of \$521,993. The information presented on the summary page is supported by Schedules A through O, which are described later in this testimony.

The Total Anticipated Cost of Gas is derived as follows:

- 1) The prior period over collection of (\$26,705) through April 30, 2023, as shown on Schedule B, pg. 1, line 36 and further supported in Schedule B, pg. 2. This includes \$924 of interest on November 2022 through April 2023 over/under recovery balances as shown on Schedule B, pg. 2, line 47. Interest is accrued

1 using the monthly prime lending rate as reported by the Federal Reserve
2 Statistical Release of Selected Interest Rates.

- 3 2) The total anticipated cost of the gas sendout from May 1 through October 31,
4 2023, of \$549,116 as shown on Schedule B, pg.1, line 17. This includes any
5 adjustments and Fixed Price Option (“FPO”) premiums shown on Schedule B, pg.
6 1, lines 15 and 16, respectively.
- 7 3) The calculated return on inventory for the forecasted period as shown on Schedule
8 B, pg. 1, line 18. There was no return on inventory for the forecast period.
- 9 4) Forecasted interest on May–October 2023 over/under recoveries of (\$418) is
10 added to the anticipated cost of gas sendout. Schedule B, pg, 1, line 39 shows this
11 forecasted interest calculation for the period May through October 2023. Interest
12 is accrued using the monthly prime lending rate as reported by the Federal
13 Reserve Statistical Release of Selected Interest Rates.

14 The Non-Fixed Price Option (“Non-FPO”) cost of gas rate of \$1.4761 per therm was
15 calculated by dividing the sum of Total Anticipated Cost of Gas and return on inventory,
16 the over collection, and interest of \$521,993 by the Projected Gas Sales of 353,632
17 therms. There is no Fixed Price Option for the summer period. The FPO program is only
18 offered during the winter (peak) period.

19 **Q. Please describe Schedule A, the Conversion of Costs from Gallons to Therms.**

20 A. Schedule A converts the propane gas volumes and unit costs from gallons to therms. The
21 382,961 therms represent sendout as detailed on Schedule B, pg. 1, line 3 and line 9. The

1 blended unit cost of those supplies is \$ [REDACTED] per therm which represents the weighted
2 average cost per therm for the summer period gas sendout as detailed on Schedule F, line
3 37.

4 **Q. Please describe Schedule B, the Calculation of the Cost of Gas Rate**

5 A. Schedule B, pg. 1 presents the final (over)/under collection calculation for the summer
6 2023 period based on the prior period (over)/under collection, forecasted volumes, the
7 cost of gas, and applicable interest amounts. The forecasted total propane sendout of
8 [REDACTED] therms on line 3, plus total CNG sendout of [REDACTED] therms on line 8, is the sum
9 of the forecasted summer 2023 total firm sendout. The forecasted Firm Sales on line 25
10 represent weather normalized 2023 summer period firm sales. The weather
11 normalization calculations for sendout and sales are found in Schedules I and J,
12 respectively.

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

14 A. Yes, CNG demand charges are included in Schedule B, pg. 1, on line 11.
15 Schedule B, pg. 1, line 11, includes 25% of the 2023 demand charges. These charges are
16 [REDACTED] per month or [REDACTED] for the season and represent the portion attributable to
17 the summer period.

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

19 A. Yes, in Order No. 26,505 (July 30, 2021), the Commission approved the Settlement
20 Agreement in the Company's recent distribution service rate case which fixed the
21 allocation of Keene CNG demand charges to be 75% in the winter period and 25% in the

1 summer period. The total demand charge for the summer period is thus the total annual
2 demand charge of [REDACTED] times 25%, or [REDACTED].

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

5 A. Yes, the calculation of prior summer period incremental costs/savings between propane
6 and CNG have been calculated for the summer of 2019, 2020, 2021, and 2022 per
7 Section 7.1 of the Settlement Agreement in Docket No. DG 20-105. The calculation can
8 be found on Schedule N. The Company's projected savings for the summer 2023 of
9 \$19,511 can be found on Schedule M. Of this amount, the Company has included \$111
10 in this filing, representing the amount of incrementally higher CNG cost accrued since
11 the commencement of CNG service, which has not been recovered from customers.

12 **Q. Can you itemize the previous years' incremental costs/savings which are shown in**
13 **this filing?**

14 A. Yes, the previous period incremental costs/savings calculations can be found on Schedule
15 O. For the summer of 2019, the Company collected 100% of the incrementally higher
16 CNG costs, which totaled \$5,048. In light of the Settlement Agreement authorizing the
17 Company to recover only 50% of the incrementally higher CNG costs, \$2,524 was
18 returned to customers over the Summer 2022 period through the rates proposed in that
19 filing.

20 For the summer of 2020, CNG costs were \$16,214 higher than propane costs. Over the
21 course of the 2020 summer the Company deferred 100% of those incremental costs, that

1 is, the Company did not collect any of the \$16,214. The Settlement Agreement
2 authorized the Company to collect 50% of those charges, and thus the rate proposed in
3 DG 22-015 included recovery of \$8,107 of the incrementally higher CNG costs. Again,
4 these exact calculations for the 2019 and 2020 summers were specifically included in the
5 Settlement Agreement.

6 For the summer of 2021, CNG costs were \$13,026 less expensive than propane. The
7 Company again deferred, i.e., it did not include these savings in the 2020 COG rates.
8 The Settlement Agreement allows the Company to recover 100% of these savings “up to
9 the amount of incrementally higher CNG costs accrued since the commencement of CNG
10 service, which have not then been recovered from customers,” and thereafter share any
11 remaining savings with customers equally. Settlement Agreement at Bates 14. The
12 amount of the “incrementally higher COG costs accrued since the commencement of
13 CNG service” that the Company did not recover is \$10,631. The rates proposed there
14 thus included recovery of that amount, leaving \$2,395 in savings to be addressed in a
15 future period. For the summer of 2022, CNG costs were \$5,012 incrementally more
16 expensive than propane. The Company collected one-half of the incrementally higher
17 CNG supply costs, \$2,506, during the Summer 2022 period, leaving \$2,506 to be added
18 to the incremental costs not recovered balance. Including the summer 2022 experience,
19 the current net balance of the incremental costs not recovered through the beginning of
20 the summer 2023 period is \$111 ($-\$2,395 + \$2,506 = \111).

1 **Q. Are projected 2023 incremental cost/savings included in this filing?**

2 A. Yes. The Company projects CNG costs to be \$19,511 less than propane costs over the
3 summer of 2023. The proposed rates in this filing include \$111 for the amount of
4 incrementally higher CNG cost accrued since the commencement of CNG service which
5 have not been recovered from customers. This can be found on line 13 of Schedule B.
6 The detailed calculation can be found on Schedules M and N.

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

8 A. Unaccounted-for gas is included in the firm sendout on Schedule B, lines 1 and 8. The
9 Company actively monitors its level of unaccounted-for volumes, which amounted to
10 2.11% for the twelve months ended June 30, 2022.

11 **Q. How is the information formerly included in Schedule G and H represented in this**
12 **filing?**

13 A. Schedule G, the Company's prior year cost of gas reconciliation, is now included as
14 Schedule B, pg.2. Schedule H, the Company's calculation of interest and adjustments, is
15 now also reflected in Schedule B, pg.2

16 **Q. Why is the Company showing November through April in Schedule B, pg.2?**

17 A. The Company chose to extend the prior summer cost of gas reconciliation through April
18 2023 to reflect costs related to summer period which occurred during the winter months
19 but are attributable to the summer period. These out of period adjustments can be seen
20 in columns 8 through 13. The calculation of interest for this period is reflected on line 44
21 through line 47.

1 **Q. How do the proposed Summer 2023 cost of gas rates compare with the previous**
2 **summer's rates?**

3 A. The proposed Non-FPO COG rate of \$1.4761 per therm is a decrease of \$0.1459 or
4 8.99% from the summer 2022 approved rate of \$1.6220 per therm, per Order No. 26,630
5 (May 20, 2022).

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

7 A. The main reason for the \$0.1459 decrease is the decrease in projected market supply
8 costs. An additional reason for the decrease is due to having started Summer 2022 period
9 with an under collection versus starting the Summer 2023 period with an over collection.

10 **III. PROPANE COMMODITY COSTS**

11 **Q. Please describe the forecasted spot prices of propane addressed in Schedules C and**
12 **E.**

13 A. Schedule E presents the forecasted market spot prices of propane. Column 1 shows the
14 Mont Belvieu propane futures quotations as of March 7, 2023. Subsequent columns
15 show expected broker/supplier fees, pipeline fees, and Propane Education & Research
16 Council (PERC) fees. These prices, when added together, represent a forecasted summer
17 price of propane. This price is also represented in Schedule C, line 31. Note, as actual
18 prices are realized, they will replace estimate pricing. The reconciliation of actual costs
19 to estimated costs is continued throughout the summer as the actual data becomes
20 available.

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

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

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

11 A. Yes. The Company performed two analyses. In Schedule J-1, the Company evaluated
12 the premium/discount associated with securing the pre-purchased volumes for delivery in
13 the winter of 2022–2023 relative to securing a floating price at Mont Belvieu. The
14 comparison reflects the net premium/discount results of the Company’s competitive RFP
15 process. In Schedule J-2, the Company performed a comparison of propane purchase
16 costs under the contract versus representative spot prices had the Company not
17 implemented the Plan. The analysis shows that the cost of the pre-purchased gallons was
18 13.4% higher than the average representative spot purchase cost for the first four months
19 of the current winter period, reflecting a decrease in spot propane prices over the pre-
20 purchased volumes.

1 **Q. Has the Company issued a Request for Proposals (“RFP”) to potential suppliers for**
2 **the 2023–2024 Plan?**

3 A. Yes. The Company issued the RFP for the 2023–2024 Plan on February 23, 2023. The
4 RFP process was the same as the process used last summer. The RFP was sent to thirteen
5 suppliers. Once a winning bidder has been selected, they will be notified.

6 **Q. Is the Company proposing any changes to the 2023–2024 Plan?**

7 A. No. The Plan structure specified in the RFP, as detailed on Schedule D-3, has not
8 changed from the design that was used for the previous winter. The Company will
9 purchase 700,000 gallons to maintain a consistent ratio of hedged volumes to expected
10 sales – approximately 64%, which also includes storage at the Amherst facility.

11 **IV. COMPRESSED NATURAL GAS COMMODITY COSTS**

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

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

15 **Q. Please describe the calculation of the Weighted Average Cost of Gas (“WACOG”).**

16 A. Schedule F contains the calculation of the expected weighted average cost of inventory
17 for each month through October 2023. The unit cost of projected gas to be sent out each
18 month includes CNG deliveries. Note that the CNG deliveries are shown in separate
19 columns from the propane-weighted cost but are included in the average summer rate,
20 which is shown on line 37 of Schedule F.

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

2 A. As noted in prior testimony, the Company began serving customers with CNG in October
3 2019. At present, the service territory for CNG is limited to the Monadnock Marketplace
4 and a small portion of Key Road. The Company's short-term plan involves
5 adding/converting more customers and expanding the natural gas footprint within this
6 limited area as contemplated in the Settlement Agreement.¹ Overall, there have only
7 been slight changes to the customer base at the Marketplace since last Fall. A couple of
8 vacant spaces have been inhabited by new tenants and two stores merged into one store.
9 There was also one new customer added, the New Hampshire State Police Barracks. The
10 Company is still pursuing the transition to partial renewable fuel (RNG) and issued a
11 request for proposals in late Fall of 2022. At this time, proposals are being evaluated.

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

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

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

15 A. For the upcoming off-peak period, spot propane is anticipated to be 26 cents per therm
16 more expensive than CNG. This determination of cost disparity between the two fuels

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 can be performed using Spot Purchases cost per therm found on Schedule C, line 31, less
2 CNG Deliveries cost per therm found on Schedule C, line 24.

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

4 A. Yes.

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

6 A. Yes, as compared to this time last Spring, commodity prices have decreased. Last year at
7 this time, for example, Mont Belvieu was forecasted to average \$1.33 per gallon for the
8 2022 summer period. This upcoming summer that index price is forecasted to average 87
9 cents per gallon– a 35% decrease. As for natural gas benchmark prices, NYMEX at this
10 time last year was averaging \$4.85 per dekatherm (“Dth”) whereas today’s forward
11 summer strip is averaging \$3.17 per Dth’s – a 35% decrease over last year. The
12 Company will continue to monitor market prices as these costs will directly impact the
13 rates that customers will pay this summer.

14 **V. BILL IMPACTS**

15 **Q. What is the impact of the Summer 2023 COG rate on the typical residential heat
16 and hot water customer?**

17 A. As shown on Schedule K, Column 7, lines 24 and 25, the typical residential heat and hot
18 water customer would experience a decrease of \$38.54 or 28.7% in the gas component of
19 their bills compared to the prior summer period. When the monthly customer charge,
20 therm delivery charge, and LDAC are factored into the analysis, the typical residential

customer would see a total bill decrease of \$ 36.37 or 13.3%, as shown on lines 31 and 32.

Q. Please describe the impact of the Summer 2023 COG rate on the typical commercial customer compared to the prior summer period.

A. As shown on Schedule L, Column 7, lines 26 and 27, the typical commercial customer would experience a decrease of \$123.22 or 28.8% 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 decrease of \$ 86.38 or 9.9%, as shown on lines 33 and 34.

VI. CONCLUSION

Q. Does this conclude your testimony?

A. Yes, it does.