REDACTED

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
Winter 2023/2024 Cost of Gas

DIRECT TESTIMONY

OF

DEBORAH M. GILBERTSON,

ROBERT GARCIA,

AND

JAMES M. KING

September 15, 2023

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I. <u>INTRODUCTION</u>

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.

(RG) My name is Robert Garcia. My business address is 15 Buttrick Road, Londonderry, New Hampshire. My title is Manager, Rates and Regulatory Affairs.

(JK) My name is James M. King. My business address is 15 Buttrick Road, Londonderry, New Hampshire. My title is Analyst II, Rates and Regulatory Affairs.

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. Mr. Garcia, please describe your educational and professional background and training

A. I have an Artium Baccalaureus (Bachelor of Arts) degree in Political Science and French from Wabash College (Crawfordsville, Indiana) and a Master of Public Administration degree from the School of Public and Environmental Affairs at Indiana University (Bloomington, Indiana) with concentrations in Policy (Quantitative) Analysis and International Affairs. I also obtained a Certificat De Langue Et Civilisation Française from the Université de Paris – Sorbonne (Paris, France) and, as part of my graduate studies, studied French and European government at the École Nationale D'Administration (Paris, France).

I was employed by ComEd from April 2001 to March 2023. I began my employment with ComEd in the Regulatory Department as a Regulatory Specialist and moved on to the positions of Senior Regulatory Specialist in 2004, Manager of Regulatory Strategies and Solutions in 2008, and Director of Regulatory Strategy and Services in 2013 before assuming my last position as Director or Regulatory Innovation & Initiatives in 2021.

Prior to joining ComEd, I worked for nearly nine years at the Illinois Commerce Commission, beginning in 1992 as an intern in what was then the Office of Policy and Planning and ending in 2001 as the senior policy advisor to a Commissioner. I initially joined the Commission Staff through the James H. Dunn Memorial Fellowship program, a one-year program sponsored by the Office of the Governor. Through this Fellowship, I also held short-term positions in the Bureau of the Budget and the Governor's Legislative Office.

Q. Please describe your duties at LUSC.

A. As Manager of Rates and Regulatory Affairs, I am primarily responsible for rate administration and regulatory affairs for Liberty EnergyNorth and Liberty Utilities (Granite State Electric) Corp.

Q. Mr. Garcia, have you previously testified in regulatory proceedings before the New Hampshire Public Utilities Commission (the "Commission")?

A. No, I have not testified before the New Hampshire Public Utilities Commission. However, I have testified on several occasions before the Illinois Commerce Commission.

Q. Mr. King, please state your full name and business address and position.

A. My name is James M. King. My business address is 15 Buttrick Road, Londonderry, New Hampshire. I am an Analyst II for Rates and Regulatory Affairs for LUSC, which provides services to EnergyNorth and Granite State Electric.

Q. Please describe your professional and educational background.

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

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

A. Yes, I have testified on multiple occasions before this Commission.

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 2023/2024 winter (peak) period to be effective beginning on November 1, 2023. Our testimony will also address bill comparisons and other items related to the winter period.

II. WINTER 2023/2024 COST OF GAS FACTOR

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

A. The cost of gas factor allows the company to adjust its rates for firm gas sales in order to recover the cost of gas purchased or produced. The winter period cost of gas rates calculated in this filing are to be in effect for the winter heating period, defined as the period from November 1 through April 30. The terms and conditions for the Keene Division cost of gas clause are explained in the Company Tariff No. 11 on pages 32 and 33.

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

A. The Company proposes a firm cost of gas rate of $1.4007 per therm for the Keene Division as shown on Illustrative Eleventh Revised Page 97.

Q. Please explain the calculation of the Cost of Gas rates on Illustrative Eleventh Revised Page 97 of the tariff.

A. Illustrative Eleventh Revised Page 97 contains the calculation of the 2023/2024 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 product of these forecasts results in a total expected cost of the gas sendout from November 1, 2023, through April 30, 2024, of $1,819,133.

To derive the Total Anticipated Cost of Gas, which is used to calculate the COG, the following adjustments are made to the estimated cost of gas sendout:

1) The prior period over-collection of $164,514 is added from the anticipated cost of gas sendout; and
2) Interest of ($7,538) is added to the anticipated cost of gas sendout for the period of May 2023 through October 2023. Schedule H shows this forecasted interest calculation for the period May 2023 through April 2024. 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 $1.4007 per therm was calculated by dividing the Total Anticipated Cost of Gas of $1,647,081 by the Projected Gas Sales of 1,175,936 therms. The Fixed Price Option ("FPO") rate of $1.4207 per therm was established by adding a $0.02 per therm premium to the Non-FPO rate. The information presented on this tariff page is supported by Schedules A through J, which are described later in this testimony.

Q. Please describe Schedule A.

A. Schedule A converts the gas volumes and unit costs from gallons to therms which is used in Schedule F, inventory & weighted average cost calculation. The 1,234,457 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 2023/2024 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 2023/2024 winter period firm sendout and company use. The forecasted Firm Sales on line 1 represent weather-normalized 202/2024 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 2023/2024 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 (instead of propane) included in this filing?

A. No. Prior winter period incremental costs are not included in this filing. The Winter period 2022/2023 incremental costs are accounted for in the reconciliation of the Winter period. The actual Winter period 2022/2023 experience resulted in CNG costs, which were incrementally greater by $10,974. Per Section 7.1 of the Settlement Agreement in Docket No. DG 20-105, the Company included a refund of $5,487 as the Company is allowed to recover only one-half of the incrementally higher CNG supply cost. The calculation can be found on Schedule P.

Q. What incremental costs are included in this filing?

A. The projected net incremental costs included in this filing are a refund of $3,110, based on an incremental CNG cost of $6,221, of which the Company is allowed to recover one-half. The projected CNG incremental costs are calculated on Schedule N for use on Schedule B, line 13.

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

A. Yes. 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 0.64% for the twelve months ended June 30, 2023.

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

A. Schedule C presents the calculation of the total forecasted cost of gas purchases in the 2023/2024 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 September 6, 2023, 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 (Apr. 28, 2006) in Docket No. DG 06-037, was again implemented for the winter of 2023/2024. As shown on Schedule D, the Company pre-purchased 700,000 gallons of propane between April and September at a weighted average price of $1.1516 per gallon ($1.2586 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 2022/2023?

A. No. The volume remains at 700,000 gallons or 640,500 therms. The Keene Division maintains a pre-purchase hedge of approximately 61%.

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 2024. 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 over-collected balance for the prior winter 2022/2023 period, including interest calculated in a manner consistent with prior years. The over-collected balance of $123,836 is shown on line 49.

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 2023. The prior period over-collection of $114,671 plus the adjustments total $164,514, the anticipated balance on October 31, 2023, plus interest of ($7,538), for a total under-collection from winter 2022/2023 of $172,052.

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

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 13.04% of total sales volumes will enroll in the FPO program. The

13.04% is the five-year average FPO participation rate from winter 2017/2018 through the winter of 2021/2022.

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

A. Yes. As approved in Order No. 24,516 (Sept. 19, 2005) in Docket No. DG 05-144, the Company has added a $0.02 per therm premium to the $1.4007 per therm Non-FPO cost of gas rate, to derive the FPO rate of $1.4207 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 2023/2024 cost of gas rates compare with the previous winter's rates?

A. The proposed Non-FPO COG rate of $1.4007 per therm is a decrease of $0.7209 or 34% from the winter 2022/2023 approved rate of $2.1216 per therm, in Docket No. DG 22-057, which approved interim Cost of Gas rates.

The proposed FPO rate is $1.4207 per therm, representing a decrease of $0.7209 per therm or 34% from last winter's interim fixed rate of $2.1416.

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

A. The main reasons for the $0.7209 decrease are due to the over-collection balance and a decrease in supply costs based on decreasing market futures.

Q. What is the impact of the Winter 2023/2024 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 24 and 25, the typical residential heat and hot water FPO customer would experience a decrease of $322.23 or 33.7% in the gas component of their bills compared to the prior winter period.

Q. What is the impact of the Winter 2023/2024 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 24 and 25, the typical residential heat and hot water Non-FPO customer is projected to see a decrease of $289.86 or 31.6% 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 $1,240.68 or 33.7% decrease in the gas component of their bill and a 25.5% decrease in their total bill. Schedule L-2 shows that the typical commercial Non-FPO customer would see decreases of $1,117,24 or a 31.7% decrease in the gas component of their bill and a 23.7% decrease in their total bill.

V. <u>OTHER ITEMS</u>

Q. What is the status of CNG currently?

A. The Company began serving customers with CNG in October 2019. The service territory for CNG is exclusive to the Monadnock Marketplace and several customers on Key Road at this time. Xpress Natural Gas (XNG) is currently the Supplier; however, this contract will expire on June 30, 2024. The Company will be sending a request for proposals for a new CNG contract in mid-September. The new contract will start July 1, 2024. The Company will otherwise follow the guidelines from the most recent rate case settlement and orders governing any further 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 period.

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

A. Compared to last year's heating season, prices have decreased considerably. At this time last year, the 2022/2023 blended cost/price of gas was projected to be $1.71 per therm, but now the projected cost for winter 2023/2024 is projected to be $1.30. This represents almost a 25% reduction in cost. 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. 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 2023/2024 peak period.

Q. Does this conclude your testimony?

A. Yes.