



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

Docket No. DG 17-____

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities - Keene Division
Summer 2017 Cost of Gas Filing

**DIRECT TESTIMONY
OF
DEBORAH GILBERTSON
AND
DAVID B. SIMEK**

March 21, 2017

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1 **I. INTRODUCTION**

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

3 A. My name is Deborah Gilbertson. My business address is 15 Buttrick Road, Londonderry,
4 New Hampshire. My title is Senior Manager, Energy Procurement.

5 A. My name is David B. Simek. My business address is 15 Buttrick Road, Londonderry,
6 New Hampshire. My title is Regulatory Lead Utility Analyst.

7 **Q. By whom are you employed?**

8 A. We are employed by Liberty Utilities Service Company (“Liberty”), which provides
9 services to Liberty Utilities (EnergyNorth Natural Gas) Corp. (“EnergyNorth” or “the
10 Company”).

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

13 A. (DG) I graduated from Bentley College in Waltham, Massachusetts, in 1996 with a
14 Bachelor of Science in Management. In 1997, I was hired by Texas Ohio Gas where I
15 was employed as a Transportation Analyst. In 1999, I joined Reliant Energy as an
16 Operations Analyst. From 2000 to 2003, I was employed by Smart Energy as a Senior
17 Energy Analyst. I joined Keyspan Energy Trading Services in 2004 as a Senior Resource
18 Management Analyst following which I was employed by National Grid from 2008
19 through 2011 as a Lead Analyst in the Project Management Office. In 2011, I was hired
20 by Liberty as a Natural Gas Scheduler and was promoted to Manager of Retail Choice in

1 2012. In October 2016, I was promoted to Senior Manager of Energy Procurement. In
2 this capacity, I provide gas procurement services to EnergyNorth.

3 A. (DBS) I graduated from Ferris State University in 1993 with a Bachelor of Science in
4 Finance. I received a Master's of Science in Finance from Walsh College in 2000. I also
5 received a Master's of Business Administration from Walsh College in 2001. In 2006, I
6 earned a Graduate Certificate in Power Systems Management from Worcester
7 Polytechnic Institute. In August 2013, I joined Liberty as a Utility Analyst and I was
8 promoted to a Regulatory Lead Utility Analyst in December 2014. Prior to my
9 employment at Liberty, I was employed by NSTAR Electric & Gas ("NSTAR") as a
10 Senior Analyst in Energy Supply from 2008 to 2012. Prior to my position in Energy
11 Supply at NSTAR, I was a Senior Financial Analyst within the NSTAR Investment
12 Planning group from 2004 to 2008.

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

15 A. (DG) No, I have not testified before the Commission.

16 A. (DBS) Yes, I have previously testified before the Commission on several occasions.

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

18 A. The purpose of our testimony is to explain the Company's proposed cost of gas rates for
19 its Keene Division for the 2017 Summer ("Off Peak") Period to be effective beginning
20 May 1, 2017.

II. COST OF GAS FACTOR

Q. What is the proposed 2017 summer firm cost of gas rate?

A. The Company proposes a firm cost of gas rate of \$0.9645 per therm for the Keene Division as shown on Sixth Revised Page 19.

Q. Would you please explain Sixth Revised Page 19?

A. Sixth Revised Page 19 contains the calculation of the Summer 2017 COG rate and summarizes the Company's forecast of propane sales and propane costs. The total anticipated cost of propane sendout from May 1 through October 31, 2017, is \$311,963. To derive the Total Anticipated Cost of \$320,690, the prior period under-collection of \$9,176 and the interest of (\$449) are added to the anticipated cost of the propane sendout. The Cost of Gas Rate of \$0.9645 per therm is derived by dividing the Total Anticipated Cost by the projected firm sales volumes of 332,494 therms.

Q. What are the components of the adjustments to the cost of propane sendout?

A. The adjustments to gas costs listed on Sixth Revised Page 19 are as follows:

1. Prior Period (Over)/Under Collection	\$9,176
2. Interest	<u>\$(449)</u>
Total Adjustments	\$8,727

Q. How was the cost of spot propane purchases determined on Schedule C?

A. The forecasted spot market prices of propane as shown on Schedule C, Column 1, are the Mont Belvieu propane futures quotations as of March 9, 2017. The forecasted delivered

1 cost of these purchases is determined by adding projected broker fees, pipeline fees,
2 Propane Education & Research Council (PERC) fees, supplier charges, and trucking
3 charges.

4 **Q. How does the proposed average cost of gas rate in this filing compare to the initial**
5 **cost of gas rate approved by the Commission for the 2016 Summer Period?**

6 A. The cost of gas rate proposed in this filing is \$0.5624 per therm higher than the initial rate
7 approved by the Commission for the 2016 Summer Period (\$0.4019 vs. \$0.9645). This
8 increase is due to: (1) higher propane futures market quotations; and (2) a decrease of
9 \$0.4805 per therm due to a prior period over-collection of \$153,941 that was included in
10 the 2016 summer cost of gas calculation with no similar over-collection being applied to
11 the 2017 summer cost of gas calculation.

12 **Q. What was the actual weighted average firm sales cost of gas rate for the 2016**
13 **Summer Period?**

14 A. The weighted average cost of gas rate for the 2016 Summer Period was approximately
15 \$0.4126 per therm. This was determined by applying the actual monthly cost of gas rates
16 for May 2016 through October 2016 to the monthly therm usage of an average residential
17 heating customer using 159 therms for the six summer period months (see Schedule I-1
18 or Schedule I-2, for more details).

III. PRIOR PERIOD RECONCILIATION

Q. Has the Company filed its reconciliation of the Summer 2016 Cost of Gas in Docket No. DG 16-307?

A. Yes. The Company filed its reconciliation of the Summer 2016 Cost of Gas on December 14, 2016.

Q. Does the Company have any corrections to make to that filing?

A. Yes. The Company removed \$15,559.99 of costs and the associated interest that were inadvertently charged to the Summer 2016 Cost of Gas. The removal is shown on Line 7 in Schedule E.

Q. Has the Company included 2016 Summer Production Costs in this filing?

A. Yes. The Company included \$93,202.56 of Summer 2016 production costs in the prior period under-collection included in this filing.

IV. CUSTOMER BILL IMPACTS

Q. What is the estimated impact of the proposed firm sales cost of gas rate on an average customer's seasonal bill as compared to the rates in effect last year?

A. The bill impact analysis is presented in Schedules I-1 and I-2 of this filing. The total bill impact for an average residential customer is an increase of approximately \$87.76, or 29.0%, as compared to the total bill for the 2016 Off Peak season.

1 **Q. What does the Company plan to do to inform customers about the rate changes?**

2 A. Once the rates are approved, they will be posted on the Company's website by May 1,
3 2017. The May bills will include a bill insert informing customers of the new rates and
4 directing them to the website for more information.

5 **V. PROPANE PURCHASING STABILIZATION PLAN**

6 **Q. What is the Propane Purchasing Stabilization Plan?**

7 A. The Propane Purchasing Stabilization Plan is a strategy the Company undertakes to
8 provide more stability in the winter COG rate and to facilitate the offering of a Fixed
9 Price Option. Under this strategy, the Company systematically purchases supply over a
10 predetermined period. The strategy is intended to provide more price stability rather than
11 to secure lower prices. The Company believes this strategy should continue.

12 **Q. Has the Company performed any analysis regarding its Propane Purchasing**
13 **Stabilization Plan ("Plan")?**

14 A. Yes. The Company performed two analyses. In Schedule J-1, the Company evaluated
15 the premium/discount associated with securing the pre-purchased volumes for delivery in
16 the winter of 2016-2017 relative to securing a floating price at Mt Belvieu. The
17 comparison reflects the net premium/discount results of the Company's competitive RFP
18 process. In Schedule J-2, the Company performed a comparison of propane purchase
19 costs under the contract versus representative spot prices had the Company not
20 implemented its price stabilization plan. The analysis shows that the cost of the pre-
21 purchased gallons was 17.8% lower than the average representative spot purchase cost

1 for the first four months of the current winter period, reflecting an increase in spot
2 propane prices.

3 **Q. Has the Company issued a Request for Proposal (“RFP”) to potential suppliers for**
4 **the 2017-2018 Plan?**

5 A. The Company has not yet issued an RFP for the 2017-2018 Plan, but intends to do so by
6 the end of March 2017. The RFP process is expected to be similar to the process used
7 last summer and will be sent to approximately seven potential bidders. The deadline for
8 responses is expected to be prior to the second week of April 2017.

9 **Q. Is the Company proposing any changes to the 2017-2018 Plan?**

10 A. Yes. The Company is proposing to modify the Plan structure as detailed on Schedule J-3.
11 The Company anticipates that it will be able to serve some of its customers on the high-
12 pressure portion of its system (commonly referred to as the “High Line”) with
13 compressed natural gas during the winter of 2017-2018. As a result, its required propane
14 purchases to satisfy the Keene system demand will decrease by approximately 195,000
15 gallons. In order to maintain the same targeted ratio of hedged propane volumes as in
16 years past, the new Plan will require that 575,000 gallons of propane be hedged for the
17 2017-2018 winter period, compared to 725,000 gallons of propane that was hedged over
18 the 2016-2017 winter period.

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

20 A. Yes, it does.

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