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I N D E X

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**WITNESS PANEL: DEBORAH GILBERTSON
 CATHERINE A. McNAMARA**

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E X H I B I T S

EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
1	Summer 2019 Cost of Gas filing, including Direct Testimony of Deborah Gilbertson and Catherine A. McNamara, including TOC, Tariff Pages, Schedules, and Appendix (03-29-19) <i>[REDACTED - For PUBLIC Use]</i>	<i>premarked</i>
2	Summer 2019 Cost of Gas filing, including Direct Testimony of Deborah Gilbertson and Catherine A. McNamara, including TOC, Tariff Pages, Schedules, and Appendix (03-29-19) {CONFIDENTIAL & PROPRIETARY}	<i>premarked</i>
3	Calculation of Summer Period Cost of Gas Rate - Keene Customers	<i>premarked</i>
4	Typical Residential Heating Bill - Fixed Price Option Program	<i>premarked</i>
5	Revised Schedules to the Summer Period 2019 Original Filing {CONFIDENTIAL & PROPRIETARY} <u>[MARKED FOR ID ONLY - Not entered as a full exhibit]</u>	<i>premarked</i>
6	RESERVED (For Revised filing, Redacted version)	7
7	RESERVED (For Revised filing, Confidential version)	7

P R O C E E D I N G

1
2 CMSR. BAILEY: Good morning. We're
3 here in Docket DG 19-068 to consider the
4 proposed rates for Liberty/Keene's Summer Cost
5 of Gas.

6 Before we get started, let's take
7 appearances.

8 MR. SHEEHAN: Good morning,
9 Commissioners. Mike Sheehan, for Liberty
10 Utilities (EnergyNorth Natural Gas).

11 MS. SCHWARZER: Good morning. Mary
12 Schwarzer, here with Staff.

13 CMSR. BAILEY: Good morning. I see
14 the witnesses are prepositioned. Do we have
15 any preliminary matters that we need to
16 address?

17 MR. SHEEHAN: We do. First, the
18 Company has marked five exhibits. Exhibit 1 is
19 the original filing, the redacted version;
20 Exhibit 2 is the original filing, the
21 confidential version. You have on your table
22 Exhibits 3 through 5. The witnesses will
23 testify to two minor changes to the numbers.
24 And those changes are reflected in Exhibit 3,

1 which is a summary sheet of the case and the
2 change in prices. Exhibit 4, similarly, is a
3 document from the original filing that reflects
4 the changed numbers, and that is the bill
5 impact.

6 Prior to beginning the hearing this
7 morning, Staff and the Company talked about
8 replacing the entire filing, because, once you
9 change one or two numbers, all those numbers
10 flow through all the spreadsheets. So, we did
11 not come today with the entire filing with the
12 new numbers. Staff has been provided it
13 informally. But we decided it would be
14 probably best to get the Commission a
15 replacement filing with those new numbers.

16 We happen to have a copy of that
17 document. Ms. Gilbertson brought it with her
18 today, that we copied and marked as "Exhibit 5"
19 for ID. It does not have the confidential
20 markings on it. So, it would probably be
21 inappropriate to introduce it as a full
22 exhibit. But we have it in front of us today
23 so we can refer to it, to make sure we're
24 referring to what will be the updated numbers.

1 So, we've marked Exhibit 5 for identification
2 for those purposes.

3 I will be on the lookout, if we get
4 into confidential information, that we flag it
5 for the transcript.

6 The basis for the confidential
7 treatment is Puc 201.06(a)(11), which is the
8 rule that presumes certain information in cost
9 of gas filings are confidential. As before, it
10 doesn't require a ruling by the Commission.
11 It's just a note that that's our basis for
12 that.

13 And I think that's all I have for
14 preliminaries.

15 CMSR. BAILEY: All right.

16 MS. SCHWARZER: And as an additional
17 preliminary matter, I believe the Company has
18 agreed to file updated testimony on Friday, the
19 26th, as well, consistent with the changes that
20 have gone through the schedule. Is that
21 correct?

22 CMSR. BAILEY: Are you going to do
23 that or do you want to just mark the changes,
24 because that's just a couple numbers, right?

1 MR. SHEEHAN: The problem is, it's a
2 couple dozen numbers.

3 CMSR. BAILEY: Oh, okay.

4 MR. SHEEHAN: So, again, they all
5 flow through. So, once you change one or two
6 numbers, everything else changes. And we could
7 go through that today, but it would be a rather
8 tedious process, and invariably we would miss
9 one or two.

10 So that, this is a relatively small
11 filing, the plan would be to just update all
12 the numbers, including in the testimony, and
13 just file a new package as "revised".

14 CMSR. BAILEY: Okay.

15 MR. SHEEHAN: And I guess maybe the
16 thing to do is reserve an exhibit, Exhibit
17 6 for -- that would be 6 and 7, Revised
18 Confidential and Revised Redacted. What's the
19 right order? The preferred order would be?

20 MS. DENO: Six (6) redacted, 7
21 confidential.

22 MR. SHEEHAN: Thank you. Six (6)
23 redacted, 7 confidential.

24 **(Exhibit 6 and Exhibit 7**

1 ***reserved.)***

2 CMSR. BAILEY: And that will be the
3 testimony, but not the attachments, because the
4 attachments are Exhibit 5?

5 MR. SHEEHAN: No. It would be the --
6 it would be the whole filing. So, in effect,
7 an updated Exhibits 1 and 2. Exhibit 5 should
8 be put in the file drawer and not looked at
9 again, because it doesn't have the right
10 confidential markings, so there's a risk that
11 it gets in the wrong place, and --

12 CMSR. BAILEY: Right. But Exhibit 5
13 is the same as the attachments in Exhibit 1 and
14 2?

15 MR. SHEEHAN: Correct.

16 CMSR. BAILEY: And it will be refiled
17 as "Exhibit 6" and "7"?

18 MR. SHEEHAN: Along with the
19 testimony.

20 CMSR. BAILEY: Okay. All right.
21 Anything else before we get started
22 with the witnesses?

23 *[No verbal response.]*

24 CMSR. BAILEY: All right. Mr.

[WITNESS PANEL: Gilbertson|McNamara]

1 Patnaude, would you swear the witnesses please.

2 (Whereupon **Deborah Gilbertson**
3 and **Catherine A. McNamara** were
4 duly sworn by the Court
5 Reporter.)

6 CMSR. BAILEY: Mr. Sheehan.

7 MR. SHEEHAN: Thank you.

8 **DEBORAH GILBERTSON, SWORN**

9 **CATHERINE A. McNAMARA, SWORN**

10 **DIRECT EXAMINATION**

11 BY MR. SHEEHAN:

12 Q Ms. Gilbertson, your name and position with the
13 Company please?

14 A (Gilbertson) I'm Deborah Gilbertson. I'm the
15 Senior Manager of Energy Procurement.

16 Q And, Ms. Gilbertson, you filed testimony, along
17 with Ms. McNamara, in this docket, is that
18 correct?

19 A (Gilbertson) Yes.

20 Q And your testimony appears in Exhibit -- both
21 Exhibits 1 and 2, the filings that were made in
22 this matter, is that correct?

23 A (Gilbertson) Yes.

24 Q And putting aside the numbers that have changed

[WITNESS PANEL: Gilbertson|McNamara]

1 that I just mentioned, and we'll go over in the
2 hearing, other than those number changes, do
3 you have any other corrections to your
4 testimony?

5 A (Gilbertson) No.

6 Q And again, subject to those numbers changing,
7 do you adopt your testimony here today this
8 morning?

9 A (Gilbertson) Yes.

10 Q Ms. McNamara, the same questions. Your name
11 and position with the Company please?

12 A (McNamara) I'm Catherine McNamara. I'm a Rate
13 Analyst in Rates and Regulatory Affairs.

14 Q And the testimony that's been marked as part of
15 Exhibits 1 and 2, were you involved in the
16 preparation of that testimony?

17 A (McNamara) Yes.

18 Q And again, except for the numbers that we will
19 be talking about, do you have any other
20 corrections to your portions of that testimony?

21 A (McNamara) No.

22 Q And do you adopt that testimony here this
23 morning?

24 A (McNamara) Yes.

[WITNESS PANEL: Gilbertson|McNamara]

1 Q A couple preliminary questions before I turn it
2 over. Exhibit 3 is a -- explain for us what
3 Exhibit 3 is.

4 A (McNamara) Exhibit 3 was intended to show the
5 change in the cost of gas rate that we're
6 proposing from what was originally filed in 1
7 and 2, Exhibits 1 and 2. So, you'll see that
8 the "Cost of Gas Rate - Filed" is near the
9 bottom of the page, but "0.9886". We have a
10 "Lost and Unaccounted for rate impact", it was
11 a reduction of "0.0008". And "Revised
12 Projected and Actual" -- "Revised 2018 Actual
13 and 2019 Projected Production Costs", and
14 that's based on the audit of 2018 Summer Cost
15 of Gas.

16 Q Ms. McNamara, let's walk through that then.
17 So, the first number you pointed to, "0.9886",
18 is the cost of gas that results from the normal
19 calculations that the Company undertakes to get
20 to a cost of gas?

21 A (McNamara) Correct.

22 Q And the two numbers that are below that, those
23 are the two changes that have prompted our
24 discussion this morning of the "changes to all

[WITNESS PANEL: Gilbertson|McNamara]

1 the numbers", is that correct?

2 A (McNamara) Correct.

3 Q The first one is a reduction, a modest
4 reduction, titled "Lost and Unaccounted for
5 [gas] impact". Can you explain what that is?

6 A (McNamara) So, the lost and unaccounted for
7 rate wasn't updated in the original filing.
8 And it should have been updated based on I
9 believe it's 17-048, and should have been
10 "3.24 percent", versus "3.32 percent" that was
11 included in the original filing.

12 Q So, the change in that rate came out of the
13 EnergyNorth rate case, 17-048?

14 A (McNamara) Correct.

15 Q And it just wasn't carried through to this
16 particular filing?

17 A *(No verbal response).*

18 *[Court reporter interruption.]*

19 MR. SHEEHAN: I'm sorry.

20 WITNESS McNAMARA: Sorry.

21 MR. SHEEHAN: I'll ask the question
22 again.

23 BY MR. SHEEHAN:

24 Q There's a whisper in my ear that the change

[WITNESS PANEL: Gilbertson|McNamara]

1 actually flowed from last winter's cost of gas
2 hearing. But, regardless, there was a change
3 in the lost and unaccounted for rate that
4 initially didn't make it in the filing, and
5 this is where we are correcting that. Is that
6 correct?

7 A (McNamara) Correct.

8 Q Thank you. And the second change, titled
9 "Revised 2018 Actual and 2019 Projected
10 Production Costs", can you explain what that
11 is?

12 A (McNamara) When we originally made the filing,
13 we had received a draft Audit Report for the
14 Summer of 2018. And in that draft Audit
15 Report, Staff recommended that we reduce our
16 production costs by \$186,694.

17 After speaking with Staff, working with
18 them, the disallowed production costs were
19 reduced to -- I have that number, hold on --
20 "\$165,972", a change of \$20,722. And that
21 change flows through both the beginning
22 balance, because there we're talking about the
23 '18 -- 2018 balance, and then it flows through
24 the current calculation, because we use the

[WITNESS PANEL: Gilbertson|McNamara]

1 approved 2018 Summer Cost of Gas production
2 costs as our basis for the 2019 Summer Cost of
3 Gas rate.

4 Q I think you explained that well. To make sure
5 we understand, so the 2018 Cost of Gas was
6 audited, as it usually is. Is that correct?

7 A (McNamara) Correct.

8 Q And the Audit Division prepared a draft Audit
9 Report available this spring?

10 A (McNamara) Correct.

11 Q And our filing was based on the numbers in that
12 draft Audit Report?

13 A (McNamara) Correct.

14 Q And between the draft Audit Report and our
15 filing and today, the Final Audit Report came
16 out?

17 A (McNamara) Correct.

18 Q And that Final Audit Report had this \$20,000
19 change?

20 A (McNamara) Correct.

21 Q And it's flowing from the 2018 Summer Cost of
22 Gas season?

23 A (McNamara) Correct.

24 Q So, you had to -- this adjustment today is to

[WITNESS PANEL: Gilbertson|McNamara]

1 pick up that \$20,000 change from what happened
2 last year, and that \$20,000 change is also
3 projected for this year. Is that right?

4 A (McNamara) Correct.

5 Q And that all results in this "0.1193" change
6 today?

7 A (McNamara) Correct.

8 Q Ms. McNamara, can you testify to what are the
9 cost of gas -- what is the cost of gas rate
10 that the Company is seeking approval for today?

11 A (McNamara) The Company is seeking a cost of gas
12 rate for Keene Summer 2019 of "\$1.1071" per
13 therm.

14 Q And that's the next to last number on Exhibit
15 3, is that correct?

16 A (McNamara) That is correct.

17 Q And can you explain the purpose of the last
18 number on Exhibit 3, the "1.2358"?

19 A (McNamara) That is the maximum allowed increase
20 of the cost of gas rate by up to 25 percent,
21 that we cannot go over in our monthly filings
22 for the cost of gas adjustment without coming
23 in before the Commission again.

24 Q Can you provide for us what the typical

[WITNESS PANEL: Gilbertson|McNamara]

1 customer bill impact is as a result of this
2 rate?

3 A (McNamara) Yes. That's on Exhibit 4, on
4 Schedule I-2. And it's in Column (14), Lines
5 39 and 40. The total annual bill impact for a
6 typical residential heating customer is
7 "\$10.81" annually, or "2.9 percent".

8 Q So, the \$10 is not annually, but over the
9 course of the summer cost of gas?

10 A (McNamara) Sorry. Yes. Over the period.

11 Q The six-month period?

12 A (McNamara) Yes.

13 Q So, that's a \$10 increase over the six months?

14 A (McNamara) Correct.

15 Q And to be clear, you're reading from Exhibit 4,
16 which is the updated schedule from the original
17 filing?

18 A (McNamara) Correct.

19 Q And we had pulled that out separately for
20 today's hearing?

21 A (McNamara) Correct.

22 Q And we've agreed to -- so, when we make the
23 revised filing later this week, we will have
24 this same version of what is now called

[WITNESS PANEL: Gilbertson|McNamara]

1 "Exhibit 4"?

2 A (McNamara) Correct.

3 Q Is compressed natural gas, or CNG, included in
4 this filing?

5 A (McNamara) Yes, it is.

6 Q And was it included in last year's filing?

7 A (McNamara) Yes.

8 Q Of course, the Company did not provide CNG last
9 summer, is that correct?

10 A (McNamara) Correct.

11 Q How was that addressed with regard to last
12 year's filing, the fact that it was in the cost
13 of gas filing, but we did not sell any CNG?

14 A (McNamara) If I recall, it was handled in the
15 monthly adjustments. And we pulled out the CNG
16 piece of the estimate.

17 Q So, over last summer, the customers did not pay
18 for any CNG-related costs, is that correct?

19 A (McNamara) That's correct.

20 Q And the plan, again this summer, we'll talk
21 about this later, but the plan is for the
22 Company to start serving CNG, is that correct?

23 A (McNamara) Correct.

24 Q And so, the proposed costs for CNG are included

[WITNESS PANEL: Gilbertson|McNamara]

1 in this filing, so that there can be a rate
2 that we can charge customers for CNG, is that
3 correct?

4 A (McNamara) Correct.

5 Q And, Ms. Gilbertson, you're nodding as well?

6 A (Gilbertson) Yes. I agree.

7 Q And should, for whatever reason, the Company is
8 not able to sell CNG this summer, we will
9 follow the same process as last year and pull
10 those costs out and reconcile them as we did
11 last year, is that correct?

12 A (McNamara) Correct.

13 Q And can you point to us where in the filing the
14 Commission can find the itemization of the CNG
15 costs?

16 A (Gilbertson) That would be in Schedule K.
17 Page 29, I believe. If you look on Line 21, it
18 breaks out the gallons of CNG for the customers
19 that are in the plaza.

20 Q Now, Ms. Gilbertson, you're looking at Bates
21 029 of the original filing, is that correct?

22 A (Gilbertson) Yes.

23 Q And what we've marked as "Exhibit 5" for
24 identification has that same page?

[WITNESS PANEL: Gilbertson|McNamara]

1 A (Gilbertson) Yes.

2 Q With the same numbers or different numbers?

3 A (Gilbertson) Same numbers.

4 Q Because the CNG hasn't -- fuel costs have not
5 changed, is that correct?

6 A (Gilbertson) Correct.

7 Q And when we make the updated filing, this
8 exhibit -- or, Schedule K will also appear and
9 will have the same numbers that we're looking
10 at now, is that correct?

11 A (Gilbertson) Yes.

12 Q Okay. And you were saying?

13 A (Gilbertson) Well, it's all broken out here,
14 how much the plaza is going to use for CNG.

15 Q And the "plaza" is the Company's --

16 A (Gilbertson) That's the Monadnock Plaza, and
17 that's the area that's dedicated for the CNG.

18 Q The first step of the conversion?

19 A (Gilbertson) Yes.

20 MR. SHEEHAN: Those are all the
21 questions I have. Thank you.

22 CMSR. BAILEY: Ms. Schwarzer.

23 MS. SCHWARZER: Thank you. There
24 were some questions on discussion between the

[WITNESS PANEL: Gilbertson|McNamara]

1 Company and Staff about production costs
2 related to the cost of gas, both in the summer
3 and the winter. And rather than ask the
4 witnesses those questions, I wanted to just put
5 on the record that I believe the Company has
6 agreed to provide a detailed accounting, a
7 description of all Keene production costs that
8 were included in that 17-048 docket rate
9 filing, but those defined as "delivery costs"
10 and those defined as "COG costs".

11 And I think the agreement has been
12 that those will be provided on or before
13 June 28th this year, along with draft tariff
14 pages.

15 I'm going to ask Liberty to confirm
16 that.

17 MR. SHEEHAN: We were presented with
18 this request yesterday. And it's not
19 Ms. Schwarzer's fault, and I didn't get a clear
20 answer to her, because we were trying to figure
21 out how could we provide the information there.

22 We don't have all of that detail
23 available with regard to Keene distribution
24 costs, because those have been folded into the

[WITNESS PANEL: Gilbertson|McNamara]

1 EnergyNorth costs. We will certainly provide
2 the Commission and Staff with the numbers that
3 we have available.

4 But, again, this was something that
5 we learned yesterday, and we're still trying to
6 figure out exactly what information we can
7 provide to answer the question. So, --

8 MS. SCHWARZER: Well, June 28th might
9 give you sufficient time.

10 MR. SHEEHAN: It doesn't exist. We
11 don't have the ability to break those costs
12 out, at least that's what we are trying to
13 figure out now. Again, this is -- these are
14 incredibly complicated spreadsheets, with
15 thousands and thousands of lines of
16 information. And we need time to figure out
17 what we can get.

18 But it may be that we simply don't
19 have the detail that's being requested.

20 CMSR. BAILEY: But you would have the
21 production costs that are included in the Keene
22 cost of gas broken out separately?

23 MR. SHEEHAN: Yes.

24 MS. SCHWARZER: Chairman Bailey, if

[WITNESS PANEL: Gilbertson|McNamara]

1 we could perhaps schedule a tech session,
2 perhaps in May, late, end of May/early June to
3 resolve this further. I do believe Staff is
4 very interested in pinning down the category
5 and the substantive definition. But certainly
6 want to be respectful of what the Company is
7 able to provide.

8 CMSR. BAILEY: Do you think you could
9 do that, meet in a technical session to talk
10 about it?

11 MR. SHEEHAN: And I don't think it
12 has to be formal, it's up to you. But we can
13 certainly get -- we will agree to meet to talk
14 through all these issues.

15 And I understand, again from
16 communications that started yesterday, that
17 there's an interest on the part of Staff to put
18 in tariff language more detail about what are
19 production costs in Keene that aren't there
20 now. And again, we're happy to have that
21 conversation. There's pieces of that that are
22 in cost of gas orders, in the rate case order
23 that we can pull out, and hopefully work on an
24 agreed tariff to incorporate all of that into a

[WITNESS PANEL: Gilbertson|McNamara]

1 Keene production cost tariff, for lack of a
2 better word. And we'd be happy to sit down and
3 have those conversations.

4 CMSR. BAILEY: Okay.

5 MS. SCHWARZER: Thank you. There are
6 some questions about the CNG production. I'm
7 going to defer to our technical staff, Stephen
8 Frink, for those questions.

9 MR. FRINK: Good morning.

10 CMSR. BAILEY: Off the record.

11 *[Brief off-the-record discussion*
12 *ensued.]*

13 MR. FRINK: Okay. Good morning.

14 **CROSS-EXAMINATION**

15 BY MR. FRINK:

16 Q It's not so much the CNG production costs as it
17 is the supply costs and your supply dispatch
18 plan. So, referring to Schedule K, which I
19 believe is Exhibit 4? Exhibit 5. And you
20 already covered this somewhat. The CNG
21 deliveries are detailed on Lines 21 through 29.

22 And do you know when -- when does the
23 Company expect to convert the Keene customers
24 to CNG this summer? Currently, they're not --

[WITNESS PANEL: Gilbertson|McNamara]

1 can't use CNG. When is that conversion
2 expected to take place?

3 A (Gilbertson) Well, my understanding is that
4 it's supposed to be late May/early June. And
5 that was just a very recent finding. I think
6 there was a -- maybe an approval from Safety
7 that they recommended it. But I don't -- it
8 may not, I don't know.

9 Q But you -- have you contacted the customers
10 that need to be converted to schedule these
11 conversions? I mean, they have to be -- shut
12 down their facilities to make that conversion.

13 A (Gilbertson) That would not be Energy
14 Procurement, but -- and I can't speak for
15 Engineering or any of the Sales. I don't know.

16 Q The reason I bring this up, if you look at
17 Line 22, in the gallons, you'll see that
18 there's usage in every month. And if you
19 aren't going to convert customers until June or
20 July, it doesn't -- that doesn't seem to make
21 sense. But that's where I was going with that.

22 A (Gilbertson) Right. At the time that we put
23 this together, we didn't have that information
24 that it would probably be late May. So, yes.

[WITNESS PANEL: Gilbertson|McNamara]

1 There's expected usage in this schedule,
2 because at the time we put the schedule
3 together we didn't know that.

4 Q Okay. That's fine. Thank you. On Line 29,
5 could you tell us what the total cost of CNG
6 is?

7 CMSR. BAILEY: And that's a
8 confidential number, correct?

9 MR. FRINK: Oh, correct. Thank you.

10 MR. SHEEHAN: And it's fine that it's
11 spoken, and we'll just work with Mr. Patnaude
12 to make sure it's redacted in the transcript.

13 BY MR. FRINK:

14 Q Let me revise the question. So, looking at
15 Line 28 -- looking at Line 29, in the "Total"
16 column, you can see the total CNG costs,
17 correct?

18 A (Gilbertson) Correct.

19 Q And on Line 28, you can see a cost per gallon
20 for that CNG?

21 A (Gilbertson) That's right.

22 Q And on Line 25 -- well, actually, on Line --
23 maybe you could tell me, what is the average
24 per therm cost for the CNG? Where would we

[WITNESS PANEL: Gilbertson|McNamara]

1 find that?

2 A (Gilbertson) Okay. So, the average cost for
3 the CNG, without the demand charge, is __
4 cents, and that is on Line 25. I believe it's
5 25, --

6 Q And on Line --

7 A (Gilbertson) -- all the way to the right.

8 Q Right. And on Line 25, that is a "cost per
9 gallon" is what it says?

10 A (Gilbertson) That's right.

11 Q But that, do you have a cost per therm on this?

12 A (Gilbertson) Actually, the cost per gallon is
13 __ cents, and then it's converted to therms at
14 __ cents.

15 Q Oh, right. The second one, that's a -- that's
16 a confidential --

17 A (Gilbertson) Those are confidential numbers.

18 Q Numbers?

19 A (Gilbertson) Right.

20 Q So, just without getting into the specific
21 number, --

22 A (Gilbertson) Yup.

23 Q -- on Line 25, there is a cost per gallon. Do
24 you have the cost per therm?

[WITNESS PANEL: Gilbertson|McNamara]

1 A (Gilbertson) It's right to the right of it.

2 Q Okay. Thank you. If you weren't dispatching
3 CNG this summer, what supplies would you be
4 using as an alternative?

5 A (Gilbertson) Propane.

6 Q And looking at this schedule, what propane,
7 because you actually have a number of propane
8 subheadings, what propane would you be using as
9 an alternative to the CNG deliveries on this
10 exhibit?

11 A (Gilbertson) Spot.

12 Q Spot. And referring to Line 39, there is --
13 the last two numbers in that row, one is the
14 price per gallon versus -- and one is the price
15 per therm, is that correct?

16 A (Gilbertson) Yes.

17 Q And when you compare the spot purchase propane
18 price, per therm price, --

19 A (Gilbertson) Uh-huh.

20 Q -- on the Line 39, with the spot CNG per therm
21 price, which one is -- how do those compare?

22 A (Gilbertson) The CNG per unit is less than the
23 per unit of propane, unless -- until you add
24 the demand charge.

[WITNESS PANEL: Gilbertson|McNamara]

1 Q And you are seeking to recover demand costs in
2 this cost of service?

3 A (Gilbertson) Correct. Correct.

4 Q So, the price customers will be paying for the
5 use of the CNG this summer is a higher price
6 per therm than the alternative supply, which is
7 the spot purchases of propane?

8 A (Gilbertson) Right. So, and I did address this
9 in the testimony, that with CNG, the cost of --
10 the overall cost of gas per therm for sendout,
11 it doesn't include the injection costs, you
12 know, those are other things that go into the
13 rate, but just for the sendout gallons is, with
14 CNG, is \$1.07, \$1.07 for the whole portfolio.
15 If you pull the CNG out completely, the overall
16 cost of propane or therms for the portfolio is
17 \$1.06. There is -- it's a little higher.

18 And I have that if -- I figured you'd ask.
19 So, if you -- and it is addressed in the
20 testimony. If you want that, I have that for
21 you.

22 Q Thank you. I appreciate your being prepared
23 for that question. But I do believe this was
24 an issue that was in your winter cost of gas

[WITNESS PANEL: Gilbertson|McNamara]

1 filing for Keene, you included CNG rates in
2 your original filing?

3 A (Gilbertson) Correct.

4 Q And those rates were significantly higher than
5 spot propane, the price of the spot propane
6 purchases, is that correct?

7 A (Gilbertson) I actually don't remember what the
8 differential was.

9 Q And Staff filed testimony, and do you recall
10 what Staff's position was on that?

11 A (Gilbertson) I believe we took it out for the
12 CNG.

13 Q Right. Ultimately, the Company was not able to
14 do the conversion of the customers. And so, it
15 was basically a nonissue?

16 A (Gilbertson) Correct.

17 Q But Staff, prior to that -- the determination
18 that the Company wasn't going to go forward
19 with the CNG, subject to check, was that
20 ratepayers shouldn't be paying for an
21 uneconomic dispatch of CNG?

22 A (Gilbertson) I believe that was the position,
23 yes.

24 Q Okay. Thank you. And although in this filing,

[WITNESS PANEL: Gilbertson|McNamara]

1 basically we're seeing the same thing, although
2 with a much smaller discrepancy between the
3 average cost of CNG and the average cost of
4 spot propane purchases?

5 A (Gilbertson) Correct.

6 MR. FRINK: Okay. That's all I have
7 on that. Thank you.

8 BY MS. SCHWARZER:

9 Q Just a follow-up question to direct the witness
10 to the testimony that was submitted originally.
11 And I know these numbers are going to be
12 updated. But, on Page 10 of your testimony,
13 there's a question about the inclusion of the
14 demand for CNG in comparison to propane. And
15 at that time, you were using a 20 percent,
16 you're including the demand charge for CNG?

17 A (Gilbertson) Yes.

18 Q When all those costs were factored in in your
19 testimony, the answer is that the CNG is
20 approximately ___ cents more than propane per
21 therm. Is that correct?

22 A (Gilbertson) Yes, because you're only using a
23 small percentage of the portfolio. The volumes
24 are small, and you're dividing the demand

[WITNESS PANEL: Gilbertson|McNamara]

1 charge into a small number. As that's
2 socialized across the whole portfolio, that
3 cost will diminish. And the moral of the story
4 is that, if you pull it out completely, it's a
5 penny difference. And that's what we just
6 talked about.

7 Q I did hear you talking about that. And my
8 understanding is that the ___ cents difference,
9 right now you've been -- you're pursuing a
10 Phase 1 conversion with a small amount.

11 A (Gilbertson) Uh-huh. Yes.

12 Q Correct?

13 A (Gilbertson) Yes. Absolutely.

14 Q So, do you anticipate that, for the coming cost
15 of gas period, that the difference in price
16 will be approximately ___ cents?

17 A (Gilbertson) I can't -- oh, you mean for the
18 one that we're going to submit? Yes. Because
19 I think it's all relative, because Algonquin
20 city gate went down as well. Is that what you
21 mean?

22 Q No, I don't mean -- for the next six months,
23 dealing with a small CNG volume, do you expect
24 the difference in the propane cost to be ___

[WITNESS PANEL: Gilbertson|McNamara]

1 cents?

2 A (Gilbertson) I expect that -- you're talking
3 about for the upcoming summer period.

4 Q Yes.

5 A (Gilbertson) And what do I expect that that
6 would hold for the whole period, is that what
7 you're saying?

8 Q Well, just looking at your testimony, I did
9 hear you mention the "one penny" difference.
10 But, in your testimony, it was that the
11 difference was going to be "__ cents", I think.

12 A (Gilbertson) Okay. I think there's some
13 confusion.

14 Q Okay.

15 A (Gilbertson) The _ cents is if I looked at just
16 that segment of the portfolio that is CNG, and
17 include that demand charge.

18 Q Correct.

19 A (Gilbertson) It's not big, but it weighs
20 heavily on a small volume. So, as the volumes
21 increase, that number is fixed. So, it will
22 diminish. And as we take on more and more and
23 expand more and more, that __ cents will become
24 less and less and less. Does that help?

[WITNESS PANEL: Gilbertson|McNamara]

1 Q I think I understand, and you talk about the
2 volume on the last page of your testimony. But
3 my understanding is, for this summer period,
4 you don't expect the volume to increase
5 significantly.

6 A (Gilbertson) Oh, no. Oh, agreed. Agreed.
7 Yes.

8 Q So, for this next six-month period, the
9 difference is closer to ___ cents than one
10 cent?

11 A (Gilbertson) Yes. Yes.

12 Q Correct?

13 A (Gilbertson) But, if we pull it all out, it
14 would be kind of flat. It's not that much of a
15 difference.

16 Q So, I understand your answer to be that it's
17 not apples-to-apples. It's dependent on that
18 small segment versus the entire supply?

19 A (Gilbertson) Right. Because once we pull it
20 out, I mean, if we pulled it out, it would
21 be served with propane, and --

22 *[Court reporter interruption.]*

23 **CONTINUED BY THE WITNESS:**

24 A (Gilbertson) If we pull out the CNG customers,

[WITNESS PANEL: Gilbertson|McNamara]

1 as we've done, that load would be served by
2 spot propane, which is more in the unit cost of
3 the CNG less the demand charge.

4 BY MS. SCHWARZER:

5 Q I'm not sure if this question is better for Ms.
6 Gilbertson or for Ms. McNamara. So, I'll just
7 ask both of you.

8 Could you compare last year's broker
9 rate/broker's fee with this year's forecasted
10 fee, and explain that variance please? I think
11 that appears in Schedule C. I'm looking at the
12 exhibit -- Exhibit 5.

13 A (Gilbertson) Okay. So, Schedule C is the spot
14 prices, how they're determined. And so, what
15 we do in the summer is we reach out to local
16 suppliers, and we say -- ask them what they
17 expect their costs of propane is going to be.
18 And then we -- what we do is we try to
19 determine, based on that answer, and that would
20 be in Column (8), they tell us what their per
21 gallon is going to be over the summer. We try
22 to back that into some known components to
23 build this table. I'm not, honestly, a fan of
24 this table.

[WITNESS PANEL: Gilbertson|McNamara]

1 What we do know is that we know what Mont
2 Belvieu is. And we know that the broker fee,
3 and this was subject to a lot of discussion
4 last time in the summer, where I may have
5 inadvertently made that a bigger number as I'm
6 trying to back into this table. And I was
7 corrected that over many, many years the broker
8 fee is always a penny. So, this year, I made
9 it a penny.

10 I know what the PERC Fee is. I know what
11 Mont Belvieu is. I know what the trucking fees
12 are. And I know what the supplier told me.
13 So, I've got to make up the difference between
14 what the supplier told me, and I got to back
15 into this table. So, this time -- and I know
16 the broker fee is a penny. So, what I'm
17 determining here is what is the supplier --
18 what's their cut, and that's going to be in
19 Column (5). Because I know everything else,
20 and I know what the broker -- the suppliers are
21 going to charge.

22 Q Can you let me -- explain what services are
23 provided as part of the broker fee?

24 A (Gilbertson) It's just a standard fee. I mean,

[WITNESS PANEL: Gilbertson|McNamara]

1 there's somebody who's wheeling and dealing,
2 and they're going to make some money. And then
3 the supplier is going to make some money. So,
4 do I really know what they do? I don't. I
5 don't. I just know that there's a standard --
6 there's a standard fee.

7 And again, I'm not a fan of this table.

8 Q I'm skipping to a different topic, to turn to
9 the Propane Purchasing Stabilization Plan.

10 A (Gilbertson) Okay.

11 Q And how did it perform last year? And do you
12 have any recommendations with regard to the
13 future?

14 A (Gilbertson) So, if you go to Bates 027, which
15 is Schedule J-2.

16 Q So, that's Exhibit -- the updated Exhibit 4
17 [5?].

18 A (Gilbertson) So, this year the Propane
19 Stabilization Plan, when we put the hedges into
20 effect, the propane price was higher than when
21 the winter -- when we were buying spot.

22 Q I'm going to ask you to wait while I just find
23 the right document.

24 A (Gilbertson) Oh. I'm sorry.

[WITNESS PANEL: Gilbertson|McNamara]

1 Q I'm sorry. J-2. Thank you.

2 A (Gilbertson) So, what this schedule shows us is
3 that, for pre-purchased gas or propane, in each
4 of the four months that I had data for, the
5 cost of spot propane you can see in Column (4)
6 was less -- was less expensive than what we
7 paid for the hedge over the summer period. So,
8 in other words, prices went down. So, this
9 particular year, we were, I would say,
10 out-of-the-money by 17.6 percent.

11 Q Does that prompt you to revisit either the
12 percentages or the purpose of stabilization or
13 could you speak to --

14 A (Gilbertson) This is not put in place to make
15 money. This is put in place to stabilize the
16 price. We don't -- we can't predict what's
17 going to happen. And it's, I think, somewhat
18 unusual that summer -- that winter prices are
19 more than what was purchased in the summer.
20 Because, usually, you can get summer gas
21 cheaper. But, in some cases, that's not true.
22 And this is an example of that. So, we have --
23 we typically, between our storage gas and the
24 Propane Stabilization Plan, try to have about

[WITNESS PANEL: Gilbertson|McNamara]

1 60 percent hedged, which is just purchased in
2 the summer, hoping to levelize the price. And
3 then, for the rest of the portfolio, 40 percent
4 of the portfolio, we like to go with the spot
5 market, just for the very event that we're not
6 trying to -- we're not trying to make money
7 here, we're just trying to stabilize the price
8 and make sure that we're warding against any
9 high spikes in the market.

10 MS. SCHWARZER: I'm going to ask
11 counsel for Liberty if you could give us a
12 status of the CNG implementation?

13 MR. SHEEHAN: I'd be glad to do that
14 as part of the closing, if that's okay?

15 MS. SCHWARZER: Okay. Thank you. No
16 further questions.

17 CMSR. BAILEY: Thank you.
18 Commissioner Giaimo.

19 CMSR. GIAIMO: Good morning.

20 WITNESS McNAMARA: Good morning.

21 BY CMSR. GIAIMO:

22 Q So, as a matter of clarification, initially
23 filed, there would be a 2.7 percent decrease
24 compared to last summer for residential

[WITNESS PANEL: Gilbertson|McNamara]

1 customers. So that was as initially filed.
2 Fast forward to where we are today, and that we
3 see a 2.9 percent increase. Does that sound
4 right?

5 A (McNamara) It does sound correct.

6 Q Okay.

7 A (McNamara) Yes.

8 Q And that's explained on Exhibit 3, correct?

9 A (McNamara) Correct.

10 Q Okay. So, when I look at the "Lost and
11 Unaccounted for Rate Update Impact", and I see
12 it's inside parentheses, does that mean then
13 there's a credit?

14 A (McNamara) Yes.

15 Q Okay. So, there's a credit associated with the
16 lost or unaccounted for gas. So, does that
17 mean that your initial estimate was wrong?

18 A (McNamara) The initial rate was higher. It
19 was -- it was 3.36, \$3.36, and it went to 3.24.

20 Q Does that mean you lost less gas than you
21 expected?

22 A (Gilbertson) Percentage, yes.

23 A (McNamara) Yes.

24 Q And then we see the "0.1193" percent increase

[WITNESS PANEL: Gilbertson|McNamara]

1 with -- and that captures the production costs
2 resulting from the audit?

3 A (McNamara) Correct.

4 Q Okay. Thank you. On Bates 005, you talk
5 about -- the discussion is about the
6 over-collection from the prior period. Maybe
7 you can just talk us through why there was an
8 over-collection. Is that the result of sales
9 being down? Is that the result of spot prices
10 lower than anticipated or forecasted? Is that
11 a function of no CNG being used? Maybe you
12 could just help us understand why there was an
13 over-collection.

14 A (McNamara) To be honest, I don't think I can
15 answer that right now.

16 A (Gilbertson) I can answer that.

17 Q Okay.

18 A (Gilbertson) Because, when you bill a customer
19 and the revenue comes in, you're also watching
20 what the spot price of the future months is
21 going to be. And if that price has gone up,
22 you're not recovering enough. So, you've got
23 to raise -- if the price is higher, you're not
24 recovering enough. You've got to match it.

[WITNESS PANEL: Gilbertson|McNamara]

1 But there's a lag. So, you don't -- by the
2 time you're getting your revenue in, you don't
3 really know that you didn't get enough. So,
4 it's really a balancing act of what is the
5 future cost of the product and what are you
6 getting in as revenue. And by the end of the
7 period, you're not going to be equal. There's
8 always going to be an over or under. But we
9 always give it back or we have to charge it.

10 Does that help? It's just got to do with
11 timing.

12 Q Okay. Well, it does. So, what would the
13 over-collection be a function of? The spot
14 price being low?

15 A (Gilbertson) Yes. Yes.

16 Q Okay.

17 A (Gilbertson) If rates are higher, the prices
18 drop down. So, we collected more, and now
19 we'll give it back.

20 Q Thank you. Okay. That's helpful. Thanks for
21 explaining that.

22 Now, moving on to Page 7. And the
23 question was "does the Company plan to inform
24 customers about the rate changes?" And then it

[WITNESS PANEL: Gilbertson|McNamara]

1 says "on April 1st" you would let the customers
2 know of the changes.

3 Did that happen? And if it did, were the
4 numbers provided leading the customer to
5 believe that there would actually be a
6 reduction in costs -- or, reduction in their
7 bill impact, it turns out, in light of these
8 new changes, that it would be an increase?

9 A (McNamara) I believe the communication was
10 made. I'm not sure of the detail that were in
11 that communication.

12 Q Okay. Traditionally, when -- if and when you
13 post information to your website about a rate
14 change, will it indicate whether or not the
15 rates are going to go up or down?

16 A (McNamara) Yes.

17 Q Okay. But, in this case, you were
18 anticipating, with the initial filing, to see a
19 2.7 percent decrease in rates. And, in fact,
20 fast forward to today, we're expecting a flip,
21 of actually an increase in that similar amount.

22 So, my question is, were the customers
23 informed of seeing a savings, that is, in fact,
24 actually not going to be a savings, it's going

[WITNESS PANEL: Gilbertson|McNamara]

1 to be an additional cost, or a different rate,
2 sorry?

3 If you don't know the answer, that's fine.

4 A (McNamara) I don't know for sure if that was in
5 the preliminary posting on April 1st.

6 Q Okay. Moving forward one page, I, too, had
7 some questions about Attachment J-2, which is
8 discussed at the bottom of Page 8. And my
9 question is perhaps similar to Attorney
10 Schwarzer's.

11 So, when we look at J-2, we see -- we see
12 that the spot market, if purchases were just on
13 the spot market, we would have seen about a
14 17.6 percent savings as compared to the
15 contractual price?

16 A (Gilbertson) Well, yes. But, last year, at
17 this time, we were at \$162,000 in the good, I
18 guess. But that's not the point of -- we
19 always try to say that's not the point of what
20 we're trying to do. We're not trying to save;
21 we're trying to stabilize price. And yes, it
22 is. We would have liked to see it the other
23 way. But, yes, 17 percent not in the money.

24 Q Okay. I'm going to give you an option, the

[WITNESS PANEL: Gilbertson|McNamara]

1 ability to maybe modify that answer. So, you
2 said you're not in the business of saving
3 money, the objective of this is to avoid
4 spikes?

5 A (Gilbertson) Yes.

6 Q Are those mutually exclusive? Do they need to
7 be mutually exclusive?

8 A (Gilbertson) We're trying to stabilize the rate
9 for the customer. It's an insurance policy in
10 many ways. So, I think, as a company, we think
11 we should keep it. We think it's good
12 practice. We do this in many other regions as
13 well. I think it's risky to not have this in
14 place. But, yes, there are times when it's not
15 going to pay off.

16 Q Okay. And in other areas of the country, and I
17 presume Canada, do you use a similar 60/40
18 split?

19 A (Gilbertson) Uh-huh. Yes.

20 Q Okay. Okay. And what I'm hearing you say,
21 what I heard you say and what I thought I heard
22 you say is traditionally or historically that
23 number can change. And some years you may see
24 a 17 percent -- the spot market may be

[WITNESS PANEL: Gilbertson|McNamara]

1 17 percent lower than the hedge, but, in other
2 years, it's significantly different. And on
3 the whole, you think the 60/40 ratio makes
4 sense and helps the consumers?

5 A (Gilbertson) Last year, we saved 23 percent.

6 Q Okay. I think we're saying the same thing.

7 So, --

8 A (Gilbertson) Yes.

9 Q -- thank you.

10 A (Gilbertson) Yes. Overall, I think somebody
11 had asked me to pull together some years of
12 this of how the plan has been responding. This
13 year, when the winter's over, I mean, yes, it
14 looks like we're going to be like 15 percent,
15 it's not the 17, it's more like 15 percent
16 where it wasn't favorable. But, last year, it
17 was 24 percent favorable, which meant that it
18 saved the customers \$181,000.

19 The year before that it was favorable, at
20 16 percent, and we saved the customers \$121,000
21 that year as well. So, we had 81 -- 181, 121.
22 And the year before that was not good.

23 Q And I'm not being argumentative. But I think
24 you see the value of saving --

[WITNESS PANEL: Gilbertson|McNamara]

1 A (Gilbertson) I did my homework.

2 Q No, no. Clearly, you -- I'm sorry, clearly you
3 did. And I'm not being argumentative about the
4 savings concept.

5 A (Gilbertson) Oh, okay.

6 Q Sometimes you win, sometimes you lose. On the
7 whole, you're looking to --

8 A (Gilbertson) Yes.

9 Q -- to protect the customer? Okay. I'm not
10 going to discuss the details of Page 18,
11 Schedule C, because most of that is grayed out.
12 But, in the discussion you had earlier, you
13 talked about the supplier charges and these
14 various charges.

15 I'm just wondering, what metrics do you
16 have in place or how do you know that the
17 charges are consistent, and consistent with
18 what others similarly -- in your similar
19 situation would pay?

20 A (Gilbertson) Well, we're going to pay what the
21 supplier charges. That's what we're going to
22 pay. So -- and we're going to search for the
23 best price of course. But do I absolutely know
24 that the broker fee is a penny? I don't. And

[WITNESS PANEL: Gilbertson|McNamara]

1 I don't know that I would -- I could try to
2 find out, but it's just been the same for many,
3 many years that they --

4 Q Okay. Do you have a metric that helps give you
5 assurance that you're not being charged
6 anything usurious and nothing is being added
7 that is not consistent with what --

8 A (Gilbertson) When it's the spot market, we're
9 price-takers. We have to buy what is in the
10 spot. We can't say "we're not taking that,
11 because you charge two pennies for the broker
12 fee", because we don't know anyway. So, we
13 legitimately search for the best price and go
14 with that. So, in our case, we take what we
15 can, you know, what's here.

16 Q Okay. And I'm looking at what has been offered
17 as -- offered for identification, I guess, but
18 not an exhibit, 5. And I'm looking at Schedule
19 K. And this was prompted as a result of the
20 discussion you had with Mr. Frink. And when I
21 look at lines -- Line 27, for each month it's
22 flat. That's --

23 A (Gilbertson) The demand charge --

24 Q The demand charge.

[WITNESS PANEL: Gilbertson|McNamara]

1 A (Gilbertson) -- is levelized over --

2 [Court reporter interruption.]

3 **BY THE WITNESS:**

4 A (Gilbertson) That would be the demand charge.

5 It's levelized.

6 BY CMSR. GIAIMO:

7 Q Thanks. Right. And you've levelized it for --
8 just that's the best way to do it?

9 A (Gilbertson) Well, yes, because we actually
10 prorate the demand charge. So, by how much is
11 used in the summer and how much is used in the
12 winter, there's a flat annual demand charge.
13 But we socialize it over the summer lesser,
14 because we only use 20 percent, because the
15 volume is only 20 percent in the summer. And
16 we'll do 80 percent of the demand charge in the
17 winter, because the throughput is that much
18 higher. And it just it makes sense.

19 CMSR. GIAIMO: Thank you for clearing
20 that up. That's all the questions I have.

21 CMSR. BAILEY: I have a follow-up on
22 that table.

23 BY CMSR. BAILEY:

24 Q If you do not use or sell CNG in May, will the

[WITNESS PANEL: Gilbertson|McNamara]

1 demand charges have to be spread among the
2 remaining five months, instead of six months?

3 A (Gilbertson) I don't know how that works.

4 Q Well, you're not going to forgo _____ in
5 demand charges, right?

6 A (Gilbertson) That would be a question for
7 Finance or Regulatory. I don't know how they
8 do that.

9 Q Well, it seems like that's kind of relevant,
10 because that will change the price per therm of
11 CNG, won't it?

12 A (Gilbertson) Well, we'll just buy -- we'll buy
13 propane. So, --

14 Q You'll buy propane for May.

15 A (Gilbertson) For May.

16 Q And if you have to reallocate that _____ --
17 yes, that's a confidential number. So, we'll
18 just black it out in the testimony. But, if
19 you have to reallocate the demand, the fixed
20 demand charge that you have included in May,
21 when you don't sell --

22 A (Gilbertson) Right.

23 Q -- CNG in May, that will have to be spread out
24 over June through October, and that will make

[WITNESS PANEL: Gilbertson|McNamara]

1 the cost of -- the price per therm, when you --
2 when you start selling it, assuming you start
3 selling it in June, a little bit higher than
4 what's shown on this table, right?

5 A (McNamara) I believe that's how we would --

6 *[Court reporter interruption.]*

7 **BY THE WITNESS:**

8 A (McNamara) I believe that's how we would have
9 to handle it.

10 CMSR. BAILEY: Mr. Sheehan.

11 MR. SHEEHAN: My understanding is
12 that the rate that we are asking for approval
13 today assumes we will pay the demand charge as
14 reflected in that schedule. If we do not sell
15 CNG, like last year, we would pull out those
16 demand charges, like in past years, put them in
17 a deferral account, and the plan is to deal
18 with those uncollected demand charges in the
19 rate case we intend to file next year.

20 CMSR. BAILEY: So, could you put one
21 month of demand charges in the deferral account
22 or the --

23 MR. SHEEHAN: Yes.

24 CMSR. BAILEY: Okay.

[WITNESS PANEL: Gilbertson|McNamara]

1 MR. SHEEHAN: Yes. So, to answer
2 your question, it isn't pulled out of May and
3 spread over the rest of the summer. It's
4 simply pulled out, --

5 CMSR. BAILEY: Okay.

6 MR. SHEEHAN: -- and we'll deal with
7 it in another way in the rate case.

8 CMSR. BAILEY: All right. Thank you.

9 BY CMSR. BAILEY:

10 Q You stated in the testimony that you were
11 issuing an RFP for the propane purchases, and
12 you would be awarding that at the end of March.
13 Did that happen?

14 A (Gilbertson) Yes.

15 Q And can you tell me what the price for it?

16 A (Gilbertson) Well, I can tell you it's very
17 close to what it was last year.

18 Q So that seems like higher than the futures
19 prices that you have in this filing?

20 A (Gilbertson) So, what the -- for the Price
21 Stabilization Plan, what they do is they give
22 you a basis price. So, instead of -- instead
23 of all the components of, say, trucking and
24 pipeline and supplier fees, they give you a

[WITNESS PANEL: Gilbertson|McNamara]

1 fixed number.

2 Q Uh-huh.

3 A (Gilbertson) And what we do is we can kind of
4 compare it to all those other numbers to see if
5 it's a good basis price. And we send out the
6 RFP to, I think -- I believe we sent it out to
7 12 suppliers this year, and we take the best
8 one.

9 Q Would it be better to issue the RFP in summer,
10 when the prices are lower, and there's not as
11 much --

12 A (Gilbertson) Well, they buy it over the summer.
13 So, you have to get it out early, because
14 they're buying it like now. They start April.
15 They buy a little piece of November, December,
16 January, February. They buy incrementally
17 throughout the summer for the winter. So,
18 they're purchasing it now.

19 Q Okay. But what I think I understood is that
20 the price that you got, as a result of the RFP,
21 seems to be a price that's higher than the spot
22 market price you expect to pay during the
23 summer?

24 A (Gilbertson) They're totally exclusive of each

[WITNESS PANEL: Gilbertson|McNamara]

1 other. That when we ask the suppliers to give
2 us a price for the summer, it's for the summer.
3 The Propane Stabilization Plan, different,
4 very -- it's a separate thing. So, what
5 they -- we send out an RFP for that. And then
6 they come back and they will say "We'll give
7 you this for a basis." So, it would be Mont
8 Belvieu, plus this. That's it. And that will
9 be the price of your --

10 Q And they give you the Mont Belvieu price, plus
11 their add-ons?

12 A (Gilbertson) Yes.

13 Q Oh. So, it's not a fixed price?

14 A (Gilbertson) No. No, no. It's not. It is
15 Mont Belvieu, yes.

16 Q Okay.

17 A (Gilbertson) Oh, yes. That makes a big
18 difference.

19 Q That's where I was going. Okay. Thank you.
20 The last line of questioning I have goes to the
21 discussion you were having with Attorney
22 Schwarzer about the number on Bates Page 010 in
23 the testimony.

24 And this part of the testimony is

[WITNESS PANEL: Gilbertson|McNamara]

1 comparing the CNG price with the spot propane
2 price projected to be a number that's
3 confidential. And the spot propane price is
4 not changed by the production costs, correct?

5 A (Gilbertson) Correct.

6 Q But, when you compare the price of CNG to the
7 price of propane, you're comparing including
8 the production costs, is that right?

9 A (Gilbertson) Say that again.

10 Q When you compare the cost of CNG per therm with
11 the cost of propane per therm, does the cost of
12 propane per therm include the production costs?

13 A (Gilbertson) No.

14 Q Okay.

15 A (Gilbertson) No. That's separate.

16 CMSR. BAILEY: All right. Thank you.
17 That's all I have.

18 Mr. Sheehan, do you have any
19 follow-up?

20 MR. SHEEHAN: Actually, no. Thank
21 you.

22 CMSR. BAILEY: All right. I think
23 you can stay where you are.

24 Without objection, we'll strike ID on

1 Exhibits 1, 2, 3, and 4. And we're going to
2 reserve Exhibit 6 and 7. And they will be
3 filed by the end of the week.

4 MR. SHEEHAN: Correct.

5 CMSR. BAILEY: Okay. All right.
6 Ms. Schwarzer, do you want to sum up for us
7 please?

8 MS. SCHWARZER: Certainly. Thank
9 you.

10 Staff supports the filing with
11 additional clarification as requested and
12 agreed to during this morning's proceeding.
13 Specifically, we appreciated additional
14 information the Company made available last
15 Friday, and the updated information made
16 available today in Exhibit 5 for
17 identification.

18 On a very high level, the rates
19 appear to have been calculated in a manner
20 consistent with past practice, which is
21 reassuring. However, there's additional
22 information Staff looks forward to obtaining in
23 a future technical session, specifically, a
24 detailed accounting and description of Keene

1 production costs, those defined as "cost of
2 gas" costs and those defined as "production" --
3 and those production costs defined as
4 "delivery" costs, including adjustments to the
5 test year revenue requirement calculations as
6 approved with that detail in docket DG 17-048
7 rate filing.

8 We request to hold a future technical
9 session to be scheduled in late May or early
10 June on that information with Liberty. As well
11 as we were -- I understand counsel will speak
12 to this in his closing, but we have questions
13 about the CNG future long-term and short-term
14 plans and implementation, the conversion plans
15 in particular.

16 We anticipate that that will occur
17 before the end of June 28th, 2019. And in
18 particular, with regard to the CNG, the Summer
19 COG filing projects CNG costs above that of the
20 alternative supply costs available to Keene
21 customers, and therefore it is not economical
22 to dispatch.

23 Staff filed testimony in last
24 Winter's Keene COG filing, recommending that

1 CNG costs above the cost of alternative
2 supplies should not be recovered from
3 ratepayers, and our position has not changed.

4 If Liberty goes forward with its plan
5 to use CNG this summer, and the 2019 CNG cost
6 exceeds what the cost of alternative supplies
7 would have been, the incremental costs should
8 not be recovered from ratepayers. Staff asks
9 the Commission to order -- excuse me -- Staff
10 asks the Commission order approving the 2019
11 Keene Summer Cost of Gas rates either adjust
12 this issue as recommended by Staff, or, as an
13 alternative, Staff will recommend a
14 disallowance of these costs in next summer's
15 COG.

16 Thank you.

17 CMSR. BAILEY: Mr. Sheehan.

18 MR. SHEEHAN: Thank you. Just
19 briefly, going back to the customer notice
20 issue. It's the Company's practice to notify
21 customers that we have proposed a rate for the
22 upcoming COG, and it's made explicit that it is
23 subject to change. And then, once the order
24 comes out, then we publish the actual rates.

1 So, the customers are on notice that there may
2 be some flexibility. And that's the routine
3 for all of these proposed rate changes that we
4 file.

5 The update for CNG, as the Commission
6 is aware, the regulatory delay on CNG most
7 recently was working with -- the Company
8 working with the Safety Division to get the
9 Safety Division's report finding the Company's
10 plans to be "adequate". And that's from the
11 order in 17-068. That recommendation from the
12 Safety Division came out a couple weeks ago.
13 And there are two lingering issues there.

14 The first is, it's the Company's
15 position that the Commission need not act. My
16 reading of the order is that, once the Safety
17 Division says "okay", we are free to go.
18 However, for very understandable reasons,
19 Staff, and I did speak with Ms. Fabrizio on
20 this, wasn't sure about that, and effectively
21 said "Sit tight till we clarify that".

22 The Company's preference, frankly,
23 would be a secretarial letter from the
24 Commission saying "We received the report.

1 Everything is good." Just to make sure there's
2 no misunderstanding. The worst-case scenario
3 would be for us to charge forward and have
4 someone say "you acted prematurely".

5 The other loose end from that docket
6 is, if you recall, an intervenor, Mr. Clark,
7 represented by Mr. Husband, was challenging the
8 initial finding in the order that Liberty has
9 the right to serve natural gas in Keene. He
10 was let in late. Filed a Motion for
11 Reconsideration of that finding. It was
12 briefed a year ago, and it has never been
13 ordered. So, in fact, that issue is still
14 lingering. And again, would be a reason for us
15 not to charge ahead, if for some reason the
16 Commission were to grant Mr. Clark's Motion for
17 Rehearing.

18 So, from the Company's perspective,
19 we are waiting. We'd appreciate confirmation
20 or a ruling on the Motion for Rehearing, and
21 confirmation that the Commission received the
22 Safety Division's report, and it satisfied the
23 Commission and the order.

24 Assuming all that happens, as I heard

1 someone testify, the expectation is that we
2 would convert the customers in the so-called
3 Monadnock Marketplace, which is a defined part
4 of the system, that has also been planned for a
5 conversion first. And it's specifically
6 delineated in the Safety Division's report,
7 that the recommendation is as to that piece of
8 the system. And, of course, that's the piece
9 of the system, the so-called "high pressure"
10 piece that we've been seeking to convert for
11 some time, so that we can close down the
12 troublesome blowers.

13 The expectation is to do those
14 customers this summer. Ms. Gilbertson heard
15 "May". I have not been privy to any particular
16 dates. The Chief Engineer, Mr. Furey, asked me
17 yesterday "have we heard anything on these
18 lingering issues" that I just mentioned to you.
19 They're waiting to line up contractors, to
20 notify the customers. So, that's the
21 expectation, to happen this summer, as far as
22 the CNG conversion.

23 As the Commission is generally aware,
24 we have a phased plan for building out Keene,

1 converting them to natural gas, and expanding
2 over a number of years. And the first piece of
3 that is we have to build a permanent CNG/LNG
4 facility. What we have ready to go now is what
5 is called a "temporary facility" on Production
6 Avenue. In order to build the permanent
7 facility, we need a certain amount of area,
8 physical area to build it.

9 Production Avenue is suitable,
10 although it has wetlands issues. As part of
11 getting a Wetlands Permit on Production Avenue,
12 DES requires us to look for alternate sites.
13 We have examined many alternate sites over the
14 last 18 months. And some are very promising;
15 some not so much. And we are finishing that
16 process to either choose one of those alternate
17 sites to build the permanent facility, or it
18 may turn out that we end up back at Production
19 Avenue as the best site. That decision is
20 being made, as I understand, now, this spring.
21 With the expectation we will then start the
22 permitting process for that site, whichever one
23 it turns out to be. And that would be what
24 would occupy 2019 as the permitting of the site

1 for the permanent facility, with the
2 expectation that construction begins next
3 summer. And once the facility is constructed,
4 then we can actually start doing the expansion
5 as contemplated by the recent order in 17-048.

6 So, that's the rough timeframe. Of
7 course, we will keep Staff and the Safety
8 Division up-to-date as to each of these steps
9 as we go along. We have to meet certain
10 customer commitments under the 17-048 order
11 before we expand. Certainly, the Safety
12 Division will want to look at where we are
13 expanding and how we are expanding, and we will
14 work with them.

15 But that's the plan. So, hopefully,
16 by 18 months from now, we are working towards
17 connecting more customers to CNG/LNG.

18 Last, on the Staff's position in this
19 case, that we should not recover the costs, the
20 extra costs for CNG, we strongly object. The
21 Commission has approved the Company to convert
22 customers to natural gas. It's been part of
23 our plan since we acquired Keene. It's in the
24 long-term benefit for all Keene customers.

1 Natural gas is a better fuel. The propane/air
2 system has to shut down in a few years. The
3 plant in Keene is on land that we do not
4 control. The lease is up in a few years. We
5 have to be off that site. So, we have to
6 convert away from propane, and our plan is to
7 do that.

8 Certainly, there will be transition
9 costs. And one of those transition costs may
10 be times when CNG is more expensive than
11 propane. That is not a reason to disallow
12 those costs. It would be imprudent for us to
13 only be able to expand to CNG when it is
14 cheaper.

15 Certainly, by approving the plan and
16 approving our proposal to convert to CNG, the
17 Commission agrees that the long-term, best way
18 to go is to convert Keene away from propane/air
19 to natural gas. And we cannot micromanage each
20 step, asking if today it's cheaper or not to do
21 that. The decision has been made, the
22 commitment has been made, and we have to start
23 the process. We think it's inappropriate to
24 disallow any CNG costs that may be a penny more

1 on any given year than the next.

2 So, for those reasons, we ask that
3 you approve the cost of gas rate as proposed,
4 which includes a portfolio of CNG and propane.
5 With the understanding that if, for some
6 reason, we don't convert to CNG, those costs
7 will be pulled out, as they have been in the
8 past. And as in my colloquy with Ms. Bailey,
9 if, for some reason, that CNG doesn't start
10 flowing until August, there will be an
11 appropriate adjustment as well.

12 So, with that, I thank you for your
13 time.

14 CMSR. BAILEY: All right. Thank you.
15 With that, we'll close the hearing, leave the
16 record open for Exhibits 6 and 7. Take the
17 matter under advisement and issue an order as
18 soon as possible. Thank you.

19 ***(Whereupon the hearing was***
20 ***adjourned at 11:24 a.m.)***