REDACTED

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

Docket No. DG 20-xxx

Liberty Utilities (EnergyNorth Natural Gas) Corp.
d/b/a Liberty Utilities - Keene Division
Summer 2020 Cost of Gas

REVISED DIRECT TESTIMONY

OF

DEBORAH GILBERTSON

AND

CATHERINE MCNAMARA

April 20, 2020

I. INTRODUCTION

Q. Please state your full names, business addresses, and positions.

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

A. (CM) My name is Catherine McNamara. My business address is 15 Buttrick Road, Londonderry, New Hampshire. My title is Rates Analyst II, Rates and Regulatory Affairs.

Q. By whom are you employed?

A. We are employed by Liberty Utilities Service Corp. ("Liberty"), which provides services to Liberty Utilities (EnergyNorth Natural Gas) Corp. ("EnergyNorth" or "the Company").

Q. Please describe your educational background and your business and professional experience.

A. (DG) 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 as an Operations Analyst. From 2000 to 2003, I was employed by Smart Energy as a Senior Energy Analyst. I joined Keyspan Energy Trading Services in 2004 as a Senior Resource Management Analyst following which I was employed by National Grid from 2008 through 2011 as a Lead Analyst in the Project Management Office. In 2011, I was hired by Liberty as a Natural Gas Scheduler and was promoted to Manager of Retail Choice in

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

A. (CM) I graduated from the University of Massachusetts, Boston, in 1993 with a Bachelor of Science in Management with a concentration in Accounting. In November 2017, I joined Liberty as an Analyst in Rates and Regulatory Affairs. Prior to my employment at Liberty, I was employed by Eversource as a Senior Analyst in Investment Planning from 2015 to 2017. From 2008 to 2015, I was a Supervisor in the Plant Accounting. Prior to my position in Plant Accounting, I was a Financial Analyst/General Ledger System Administrator from 2000 to 2008.

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

A. (DG) Yes, I have previously testified before the Commission.

A. (CM) Yes, I have previously testified before the 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 2020 Summer ("Off Peak") Period to be effective beginning May 1, 2020.

II. COST OF GAS FACTOR

Q. What is the proposed 2020 summer firm cost of gas rate?

A. The Company proposes a firm cost of gas rate of $0.6326 per therm for the Keene Division as shown on proposed Eleventh Revised Page 90.

Q. Please explain Eleventh Revised Page 90.

A. Eleventh Revised Page 90 contains the calculation of the Summer 2020 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, 2020, is $252,874. To derive the Total Anticipated Cost of $179,417, the prior period over-collection of $80,938 and the interest of $910 are subtracted from the anticipated cost of sendout. Next, the COVID-19 adjustments are made by adding $12,141 for the reduction of the prior period over collection and subtracting $3,750 for the reduction of CNG Demand Charges. The prior period over-collection of ($80,938) and the CNG demand charge of $25,000 were both reduced by the estimated overall summer period demand reduction of 15%. Additional details of the COVID-19 adjustments are given in section VIII. The Cost of Gas Rate of $0.6326 per therm is derived by dividing the Total Anticipated Cost of $179,417 by the projected firm sales volumes of 283,614 therms.

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

A. The adjustments to gas costs listed on Eleventh Revised Page 90 are as follows:

1.	Prior Period (Over)/Under Collection	($80,938)
2.	Interest	($910)

3.	COVID-19 Prior Period Over-Collection Reduction of 15%	12,141
4.	COVID-19 CNG Demand Charge Reduction 15%	($3,750)
	Total Adjustments	**($73,457)**

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

A. In the off-peak period, spot prices are estimated using market quotes from local suppliers. Schedule C serves as a guide to illustrate the components of the quoted price. Column 1 shows the Mont Belvieu propane futures quotations as of April 14, 2020. Subsequent columns show projected broker fees, pipeline fees, Propane Education & Research Council (PERC) fees, supplier charges, and trucking charges, which, when added to the futures price, estimate the likely components of the quoted price.

Q. How does the proposed average cost of gas rate in this filing compare to the initial cost of gas rate approved by the Commission for the 2019 Summer Period?

A. The cost of gas rate proposed in this filing is $0.4745 per therm lower than the initial rate approved by the Commission for the 2019 Summer Period ($0.6326 vs. $1.1071).

Q. What was the actual weighted average firm sales cost of gas rate for the 2019 Summer Period?

A. The weighted average cost of gas rate for the 2019 Summer Period was approximately $0.9007 per therm. This was determined by applying the actual monthly cost of gas rates for May through October 2019 to the monthly therm usage of an average residential heating customer using 87 therms for the six summer period months (see Schedule I-1 or Schedule I-2, for more details).

III. PRIOR PERIOD RECONCILIATION

Q. Has the Company filed its reconciliation of the Summer 2019 Cost of Gas in Docket No. DG 19-068?

A. Yes. The Company filed its reconciliation of the Summer 2019 Cost of Gas on December 31, 2019.

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

A. There were no audit findings in the final audit report issued April 7, 2020, so the Company has no adjustments to make to that filing.

Q. Has the Company included any production costs in this filing?

A. No.

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 presented in Schedules I-1 and Schedule I-2 of this filing. The total bill impact for an average residential customer, for the off-peak season, is a decrease of approximately $25.30, or 11.4% (see Schedule I-2, column 14, rows 54 and 55, respectively) as compared to the total bill for the 2019 Off-Peak season.

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

A. On April 1, 2020, the Company will be posting information regarding this filing on its website. Once the rates are approved, they will be posted on the website by May 1, 2020.

The May bills will include on-bill messaging along with a bill insert reminding customers of the new rates, and directing them to the website for more information.

V. PROPANE PURCHASING STABILIZATION PLAN

Q. What is the Propane Purchasing Stabilization Plan?

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

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

A. Yes. The Company performed two analyses. In Schedule J-1, the Company evaluated the premium/discount associated with securing the pre-purchased volumes for delivery in the winter of 2019–2020 relative to securing a floating price at Mont Belvieu. The comparison reflects the net premium/discount results of the Company's competitive RFP process. In Schedule J-2, the Company performed a comparison of propane purchase costs under the contract versus representative spot prices had the Company not implemented the Plan. The analysis shows that due to changing market conditions the cost of the pre-purchased gallons was 6.8% higher than the average representative spot purchase cost for the first four months of the current winter period, reflecting a decrease in spot propane prices.

Q. Has the Company issued a Request for Proposal ("RFP") to potential suppliers for the 2020–2021 Plan?

A. Yes. The Company issued the RFP for the 2020–2021 Plan on March 7, 2020. The RFP process was the same as the process used last summer. The RFP was sent to eleven suppliers. The winning bidder was notified on March 23, 2020.

Q. Is the Company proposing any changes to the 2020–2021 Plan?

A. No. The Plan structure specified in the RFP, as detailed on Schedule J-3, has not changed from the design that was used for the previous winter. The Company will purchase 700,000 gallons to maintain, a consistent ratio of hedged volumes to expected sales.

Q. Why did the Plan volumes increase from 575,000 gallons to 700,000 gallons?

A. As discussed in the testimony for winter COG, the increase in Plan volumes is due to EnergyNorth retaining one-half of the Amherst storage volumes that were previously allocated to Keene. The Amherst storage tank is shared between EnergyNorth and Keene and serves as a winter hedge supply of propane for Keene. The increased Plan volume offsets the reduction of the Amherst volume recalled by EnergyNorth. By increasing the Plan contract volume, the Keene Division will maintain a pre-purchase hedge volume of approximately 60%, which is consistent with prior years.

VI. COMPRESSED NATURAL GAS ("CNG")

Q. Does the Company plan to incorporate CNG into the portfolio this summer?

A. Yes. The Company will utilize CNG to serve a portion of the distribution system known as the Monadnock Marketplace.

Q. How does the CNG per unit pricing compare to the per unit spot propane price?

A. For the upcoming summer period, the projected average cost of propane is [redacted] per therm (Schedule K, Line 40) while the projected average cost of CNG (including the demand charge) is [redacted] per therm (Schedule K, Line 28). CNG is projected to be $0.4451 per therm more than the unit cost of spot propane.

Q. Is there a demand charge for the CNG and, if so, how does the Company plan to recover the demand costs?

A. Yes, there is a demand charge for the CNG. The demand charge is a fixed charge, which is paid by the Company in 12 monthly installments, totaling [redacted]. The Company will allocate the demand charge on a pro-rata basis proportionate to the percentage of off-peak and peak period loads to total annual load. For example, the off-peak load percentage to total annual load is approximately 20% and therefore the expectation is to recover 20% of the demand charge [redacted] during the off-peak period, while the remaining 80% [redacted] is collected during the peak period.

Q. What is the net overall cost difference when comparing the total summer portfolio either with CNG or without CNG?

A. The effect on the overall cost of gas is currently projected to be about [redacted] cents more per therm with CNG included rather than if spot propane were the only commodity utilized to serve the portfolio.

Q. What was the overall cost difference when comparing the cost of CNG to the cost of propane in the summer of 2019?

A. The Company began using CNG in October 2019, therefore there is only one month of cost differential to review between CNG and propane. Please see the table below, which illustrates two methods for comparison. Since there are no production costs associated with CNG and since production costs are a direct cost for using and maintaining the propane facilities, the Company has added the propane production costs as part of the cost comparison. The table shows in October 2019, the total CNG cost was approximately [redacted] more than the total propane cost when including production costs. Without including the production costs, the CNG cost differential becomes closer to [redacted] more. Please see the footnote which identifies a potential reduction to the CNG cost as discussions ensue with the vendor.

INCLUDES PRODUCTION COSTS

Therms	Therms	
72,400.00	11,770.00	
Propane Price	CNG Price	
$0.8671	[redacted]	CG
		Adder
		Basis*
		therm
$62,778.66		Subtotal
		October Demand Allocation
$ 12,058.17		Production Costs
$74,836.83		Total
$1.03		Cost per Therm
		Cost difference
		Additional Cost of CNG

NO PRODUCTION COSTS

Therms	Therms	
72,400.00	11,770.00	
Propane Price	CNG Price	
$0.8671	[redacted]	CG
		Adder
		Basis*
		therm
$62,778.66		Subtotal
		October demand allocation
$62,778.66		Total
$ 0.87		Cost per Therm
		Cost difference
		Additional Cost of CNG

[redacted]

Q. Does the Company have plans to expand the CNG beyond the current footprint and if so, when does the Company plan to do this?

A. The Company does plan to expand the CNG footprint; however, construction for any new supply facility will not begin until 2021 and thus any expansion will not occur until after that time. The Company will provide further updates on this effort during the winter COG process. Additionally the Company intends to engage Staff and the OCA informally over the summer as plans develop.

VII. MODIFICATIONS TO THE COG FILING

Q. Have there been changes to any schedules in the filing as compared to prior submittals and, if so, what changed and why did it change?

A. Changes have been made to Schedule K, Schedule H, and Schedule D. These changes were made to improve the filing for ease of review. Schedule K was changed to display therms instead of gallons. The display in gallons was confusing as opposed to using therms, which is the standard unit of measure for billing. Schedule H was modified to show “calendar month sales” as opposed to “cycle billed sales.” In prior filings, Schedule H displayed volumes for cycle billed sales. Using that method, there is always a month lag between ‘billed sales’ volumes and volumes which are actually consumed each calendar month. By using calendar month sales, the consumption of the gas is aligned to the sendout of the gas on a calendar basis. Additionally, Schedule D was expanded to show not only the expected weighted average cost of the propane in the tanks over the period, but also the expected cost of CNG as it pertains to that portion of total sendout.

Changes to Schedules B and E reflect the costs of CNG more accurately and align with the Cost of Gas Monthly Adjustment filing. Schedule B also includes changes requested by Staff via e-mail on April 10, 2020.

VIII. MODIFICATIONS TO THE FILING AS A RESULT OF COVID-19

Q. Has the Company performed any analysis on demand impact resulting from the pandemic which was declared on March 11, 2020?

A. Yes, the Company compiled a list of customers in the service territory who are actively closed or curtailed as a result of the virus. Additionally, a comparison between March expected demand sendout (no COVID-19) and March actual demand sendout (with COVID-19) was performed. For Keene, it appears that demand fell approximately 6% over expected demand, which is likely attributed to COVID-19. The Company is continually gathering data. Once the month of April closes, actual demand sendout will be analyzed for impact.

Q. Is it expected that the demand forecast will decrease over the summer period as a result of the analysis which was performed and if so, by how much?

A. Based on the limited data the Company has at this time it is expected that the demand over the summer period will be impacted to some degree. It is assumed that while commercial usage is falling, residential usage is climbing due to stay in place directives. The Company expects there to be more demand erosion in earlier months than in the outer months. Overall, a reasonable estimate at this time is that the portfolio as a whole will decrease by about 25% in May from the initial, pre-COVID-19 demand projection, and start to recover, with a reduction from the initial demand projection of 5% by October. The overall COVID-19 impact is estimated to be a 15% decrease in demand for the total summer period compared to the initial, pre-COVID-19 demand forecast. The Company anticipates the decrease in the portfolio will be largely due to impacts to commercial accounts. These reductions to the demand forecast as a result of the virus can be seen in seen in schedule G and H of the filing.

Q While lowering the forecasted demand by 15% due to anticipated demand destruction caused by COVID-19, did the Company take into account the other two factors which comprise the customer rate?

A. Yes, the 15% reduction was also applied to the prior period over-collection of ($80,938) and the $25,000 CNG demand charge. These additional reductions were made to defer an over-collection of ($8,321) to summer 2021 so customers affected by COVID-19 would be able to receive a portion of the prior-period over-collection which they helped accumulate.

Q. Does this conclude your testimony?

A. Yes.