STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

DG 19-153

In the Matter of:
Liberty Utilities (EnergyNorth Natural Gas) Corp., d/b/a Liberty Utilities
Keene Division 2019-2020 Winter Cost of Gas

Direct Testimony

of

Stephen P. Frink
Director – Gas & Water Division

REDACTED

October 17, 2019

New Hampshire Public Utilities Commission

Liberty Utilities (EnergyNorth Natural Gas) Corp., d/b/a Liberty Utilities

Keene 2020-2020 Winter Cost of Gas

DG 18-145

Testimony of
Stephen P. Frink

Q. Please state your name, occupation, and business address.

A. My name is Stephen P. Frink and I am employed by the New Hampshire Public Utilities Commission (Commission) as Director of the Gas & Water Division. My business address is 21 S. Fruit Street, Suite 10, Concord, New Hampshire 03301.

Q. Please summarize your educational and professional experience.

A. I joined the Commission in 1990 as a member of the Audit Team and worked as a Utility Analyst and Senior Utility Analyst before becoming the Assistant Finance Director in 1998. In 2001, Commission operations were restructured and I became the Assistant Director of the Gas & Water Division, primarily responsible for the administration of the financial aspects of the regulation of the gas utilities. On February 1, 2019, I became Director of the Gas & Water Division.

Prior to joining the Commission, I worked as a Budget/Financial Analyst for the cities of Austin and Dallas, Texas. I have a Bachelor of Arts and a Master's in Business Administration from the University of New Hampshire.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to present Staff's analysis of the Liberty Utilities (EnergyNorth Natural Gas) Corp., d/b/a Liberty Utilities—Keene Division (Liberty-Keene or Company) supply planning for the City of Keene (Keene) and Staff's recommendation regarding the Company's proposed Cost of Gas (COG) and Fixed Price Option (FPO) rates.

Q. Please summarize Staff's recommendations.

A. Staff recommends that the Commission issue an order that:

- Approves Liberty-Keene's proposed 2019-2020 Winter COG rate of $0.9492 per therm and FPO rate of $0.9692 per therm
- Requires Liberty-Keene to calculate and report the incremental supply savings or costs as a result of using natural gas in place of propane in its Keene 2019 Summer and 2019-2020 Winter COG reconciliations
- Put Liberty-Keene on notice that if the Commission ultimately finds that converting the Liberty-Keene system from propane-air to natural gas was imprudent then Liberty may be required to refund customers' incremental supply costs resulting from the use of natural gas

Q. Is Liberty-Keene currently providing natural gas service in Keene?

A. It is Staff's understanding that as of October 4, 2019, Liberty-Keene has been providing natural gas service in Keene to approximately ten customers. Liberty-Keene has converted the customers located in the Monadnock Marketplace from propane-air service to natural gas service; Liberty-Keene will be using compressed natural gas (CNG) to meet some Keene natural gas supply requirements.

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Q. What are the projected winter natural gas and propane supply requirements and costs for Keene?

A. The Keene winter supply requirements and cost projections can be found on Bates page 22 of the Company's filing and the projected propane and natural gas requirements and gas costs are summarized on Table 1, below:

Table 1					
KEENE PROJECTED WINTER SUPPLY					
SOURCE OF SUPPLY	VOLUME (THERMS)	VOLUME PERCENT	COST	COST PERCENT	COST PER THERM
PROPANE - FIXED PRICE	640,514	53%	$636,790	50%	$0.9942
PROPANE - AMHERST STORAGE	118,200	10%	$86,901	7%	$0.7352
PROPANE - SPOT PURCHASES	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
NATURAL GAS (CNG)					
TOTAL	1,209,044	100%	$1,266,622	100%	

Q. What would the projected Keene winter supply costs be if the Liberty-Keene were not supplying the Mondanock Marketplace customers with natural gas?

A. In response to Staff data requests 2-2, the Company removed natural gas from its projected winter supply requirements and used projected propane spot purchase to meet identical supply requirements. The resulting projected winter supply gas costs are summarized in Table 2, below:

Table 2					
KEENE PROJECTED WINTER SUPPLY - PROPANE ONLY					
SOURCE OF SUPPLY	VOLUME (THERMS)	VOLUME PERCENT	COST	COST PERCENT	COST PER THERM
PROPANE - FIXED PRICE	640,514	53%	$636,790	55%	$0.4577
PROPANE - AMHERST STORAGE	118,200	10%	$86,901	8%	$0.7352
PROPANE - SPOT PURCHASES	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
TOTAL					

Q. How does the use of CNG impact this projected gas costs and proposed COG rate?

A. Based on the Company's supply and cost projections summarized in Tables 1 and 2 above, the use of CNG results in an incremental cost of $112,201 and comprises $0.0997 of the proposed per therm COG rate of $0.9492 per therm.[1]

Q. Please explain why it is appropriate to allow recovery of CNG costs, a higher cost supply option than propane, through the proposed winter COG rate.

A. In prior dockets, Liberty has claimed that converting its Keene system from propane-air to natural gas will benefit all Liberty-Keene customers over the long term through lower rates. As is common with growth related capital investments, it takes a number of years to recoup the up-front costs of those investments and produce a positive return. Liberty has yet to demonstrate that the Keene conversion is likely to generate a positive return and is, therefore, a prudent investment. Until the Commission decides that issue, it is reasonable to provide for the recovery of CNG supply costs with the understanding that if the Commission finds that the Liberty-Keene conversion was imprudent, incremental CNG supply costs are subject to refund.

Q. Is Liberty-Keene seeking recovery of Keene production costs through the proposed rates?

A. No, as per the agreement between the Company, OCA and Staff described in a Staff letter filed July 18, 2019, and in a Company letter filed August 26, 2019, in Docket No. DG 19-068 (Liberty Keene Division 2019 Summer COG). Liberty Utilities delivery rates (applicable to both EnergyNorth and the Keene Division) include the majority of Keene production costs and to ensure there is no double recovery of those costs the issue will be addressed in Liberty Utilities' next general rate filing.

Q. Please describe Staff's review and findings regarding Liberty-Keene's sales forecast.

1 Incremental cost divided by projected therm sales of 1,125,331 (Sales forecast on Bates page 16 of Co. filing).

A. Staff reviewed the prior winter sales forecast with the current forecast and although the sales 2019-2020 winter sales forecast is 3% higher than last winter, most of that can be attributed to the more accurate customer billing. Customers were being billed on a fixed heat content conversion factor but are now being billed on the actual heat content, as explained on Bates page 7 of the Company filing. The forecasted sendout for 2019-2020 has changed very little from last winter's forecast, less than 0.7%.

Q. Please describe Staff's review and findings regarding Liberty-Keene's supply planning and projected costs.

A. Based on Staff's review of the filing, data responses and discussions with the Company, Staff finds Liberty-Keene's supply planning and cost projections to be reasonable.

Q. Will approval of the proposed rate result in just and reasonable rates?

A. Yes, with the caveat that actual costs will be subject to review as part of the 2019-2020 winter COG reconciliation and incremental CNG costs are subject to refund if the Commission determines the Liberty-Keene conversion to be imprudent.

Q. Does that conclude your testimony?

A. Yes.