STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

April 24, 2020 - 10:07 a.m.
[Remote Hearing conducted via Webex]

RE: **DG 20-041**
LIBERTY UTILITIES (ENERGYNORTH NATURAL GAS) CORP. d/b/a LIBERTY UTILITIES - KEENE DIVISION:
Summer 2020 Cost of Gas.

PRESENT: Chairwoman Dianne Martin, Presiding
Cmsr. Kathryn M. Bailey
Cmsr. Michael S. Giaimo

Doreen Borden, Clerk
Eric Wind, PUC Remote Hearing Host

APPEARANCES: **Reptg. Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities - Keene Division:**
Michael J. Sheehan, Esq.

Reptg. Residential Ratepayers:
D. Maurice Kreis, Esq., Consumer Adv.
Office of Consumer Advocate

Reptg. PUC Staff:
Mary Schwarzer, Esq.
Stephen Frink, Dir./Gas & Water Div.
Al-Azad Iqbal, Gas & Water Division

Court Reporter: Steven E. Patnaude, LCR No. 52

[R E D A C T E D - F o r P U B L I C U s e]

I N D E X

E X H I B I T S

EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
1	Liberty Utilities - Keene Division Revised Summer 2020 Cost of Gas Filing, including the Testimony of D. Gilbertson and C. McNamara, TOC, Tariff Pages, Schedules, and Appendix (04-20-20) *[REDACTED - For PUBLIC Use]*	*premarked*
2	Liberty Utilities - Keene Division Revised Summer 2020 Cost of Gas Filing (04-20-20) **{CONFIDENTIAL & PROPRIETARY}**	*premarked*
3	Liberty Utilities - Keene Division Summer 2020 Cost of Gas Filing, including the Testimony of D. Gilbertson and C. McNamara, TOC, Tariff Pages, Schedules, and Appendix (03-31-20) *[REDACTED - For PUBLIC Use]*	*premarked*
4	Liberty Utilities - Keene Division Summer 2020 Cost of Gas Filing (03-31-20) **{CONFIDENTIAL & PROPRIETARY}**	*premarked*
5	Staff Data Request 1-1	*premarked*
6	Staff Data Request 1-2, with attachment	*premarked*
7	Staff Data Request 1-4, with attachment	*premarked*
8	Testimony of Stephen Frink in DG 19-153 *[Redacted]*	*premarked*
9	Testimony of Stephen Frink in DG 19-153 **{CONFIDENTIAL}**	*premarked*

P R O C E E D I N G

CHAIRWOMAN MARTIN: All right. Good morning, everyone. We're going to give this a try again. We, at the Commission yesterday, did this throughout the day, and it was on-and-off successful. So, we're going to ask for your patience today, but we're going to do our best.

We're here this morning in Docket DG 20-041, which is the Liberty Utilities (EnergyNorth Natural Gas) Corporation d/b/a Liberty Utilities' Keene Division 2020 Summer Cost of Gas matter. Because we're doing this as an electronic hearing, I need to make some findings, which I'll do now.

As Chairwoman of the Public Utilities Commission, I find that due to the State of Emergency declared by the Governor as a result of the COVID-19 pandemic and in accordance with the Governor's Emergency Order Number 12 pursuant to the Executive Order 2020-04, this public body is authorized to meet electronically.

Please note that there is no physical location to observe and listen contemporaneously to this meeting, which was authorized pursuant to the Governor's Emergency Order. However, in accordance with the Emergency Order, I am confirming that we are providing public access to the meeting. We are utilizing Webex for this electronic meeting. All members of the Commission have the ability to communicate contemporaneously during this meeting through this platform, and the public has access to contemporaneously listen and, if necessary, participate.

We are providing public notice of the necessary information for accessing the meeting. We previously gave notice to the public of the necessary information for accessing the meeting in the Order of Notice.

We are providing a mechanism for the public to alert the public body during the meeting if there are problems with their access. If anybody has a problem during this meeting, please call (603) 271-2431 as soon as you recognize the problem. And, in the event the public is unable to access the meeting, it will be adjourned and rescheduled.

So, let's start by taking a roll call

of the commissioners. When each commissioner states their presence, please also state your location, and whether there is anyone in the room with you.

I will start. I am Dianne Martin, Chairwoman of the Public Utilities Commission. And I am alone in the Public Utilities Commission office.

Commissioner Bailey.

CMSR. BAILEY: I'm Kathryn Bailey. I am participating from my home. And I am alone in the room that I am present in.

CHAIRWOMAN MARTIN: Commissioner Giaimo.

CMSR. GIAIMO: My name is Michael Giaimo. I am at the Public Utilities Commission's office, in an office by myself.

CHAIRWOMAN MARTIN: Okay. Let's take appearances please. Mr. Sheehan.

MR. SHEEHAN: Good morning, everyone. And, on behalf of the Company, I'd like to thank the Commission for plodding ahead with all of these hearings and proceedings under these trying times. It will certainly pay off in the long run, if you don't have a backlog when this lifts.

But, that said, I am Mike Sheehan. I am counsel for Liberty Utilities (EnergyNorth Natural Gas) Corp. Thank you.

CHAIRWOMAN MARTIN: Thank you. Mr. Kreis.

MR. KREIS: Good morning, Chairwoman Martin, Commissioners, everybody else.

I am D. Maurice Kreis, the Consumer Advocate, pursuant to RSA 365:28. I represent the residential utility customers of this utility.

CHAIRWOMAN MARTIN: Thank you. Ms. Schwarzer.

MS. SCHWARZER: Good morning, Chairwoman Martin, Commissioner Bailey, Commissioner Giaimo.

I'm Mary Schwarzer, the Staff attorney to the Public Utilities Commission.

CHAIRWOMAN MARTIN: Thank you. Before we get started, I want to ask Mr. Sheehan to confirm for the record that Liberty did post the Order of Notice on the Liberty website?

MR. SHEEHAN: Yes. We posted the

website -- on the website the afternoon the Order of Notice was issued. It's on the website now. And there are two different ways to navigate to the website from our main page, each requiring, I think, two clicks.

CHAIRWOMAN MARTIN: Okay. Thank you. Ms. Schwarzer, can you please also confirm that the Order of Notice was posted on the Public Utilities Commission website?

Ms. Schwarzer, is your microphone muted?

MS. SCHWARZER: Thank you. The Order of Notice was posted on the Public Utilities Commission website.

CHAIRWOMAN MARTIN: Okay. Thank you. I have Exhibits 1 through 9 having been prefiled and premarked for identification. Is there anything else as far as exhibits we need to discuss before we get going?

MR. SHEEHAN: No, ma'am.

CHAIRWOMAN MARTIN: Okay. Thank you. I want to walk through a couple ground rules -- oh, I'm sorry. Ms. Schwarzer, did you have your hand up?

MS. SCHWARZER: Yes.

CHAIRWOMAN MARTIN: Go ahead.

MS. SCHWARZER: Thank you, Madam Chair. There is an issue, I believe, about whether a particular piece of information is confidential or not. Did you want to address that at this time?

CHAIRWOMAN MARTIN: Let me walk through the ground rules first, and then I will come back to you. But don't let me forget. Put your hand back up.

Okay. So, I know that Mr. Wind went through some helpful tips, and Mr. Kreis has certainly heard this before, but I'm going to do it for the benefit of everyone else, a few things that we have found helpful to remind everyone.

First, make sure, if you are not talking, that you turn your own mute on. It really does help with background noise. If you would like to be recognized, and it is not an objection, please put your hand up, and, you know, you can feel free to wave it around. I will try to look back as often as possible. I'm looking at multiple things at one time, so don't feel that I'm ignoring you, but to be persistent.

Confidential information: Please be careful not to talk about or show confidential information inadvertently. To the extent possible, please just point everyone to the place in the record where the information is located, and don't actually state the information. If it's absolutely necessary to identify confidential information during the hearing, please let me know so that we can clear the electronic hearing room, and make sure that only the people who are entitled to have access to that information remain in the room.

Speak slowly. This is one that I also have to try to remember for Steve's benefit, and leave time for others to respond before you move on. It's very important for Steve, and also for me, to be able to get to whatever the issue might be before we move on to the next thing.

And please also feel free to remind me, we had a number of times yesterday where we had to come off and go back on again for technology reasons, and it's easy to lose what we've done. And, so, if you feel like there was something that you needed to do, and I have overlooked that, please don't hesitate to point it out.

And, if you need a recess, please let me know. If you're having technology issues, if we're having technology issues, we'll just recess and come back in. So, just let me know. But, if you do that, make sure that you shut off your mute -- you mute yourself, shut off your video, and then we'll adjourn, and then go to another location, just to make sure that nobody else can hear you.

So, those are the ground rules. And we can go back to Ms. Schwarzer for the issue that you wanted to raise.

MS. SCHWARZER: Thank you, Madam Chair. I believe, in Liberty's filings, there's a constructive identification of the CNG demand charge. There's a percentage identified and there's an increment identified, and you could use algebra to quickly derive the overall demand charge.

So, it's Staff's position that the demand charge has been constructively identified. However, because its identification would ultimately result in perhaps less competitive RFPs in bidding for Liberty, and could raise prices for consumers without increasing value or increasing service, Staff's position is that Liberty should be given an opportunity to redact that information and refile their pleading -- or, refile their documents.

CHAIRWOMAN MARTIN: Mr. Sheehan.

MR. SHEEHAN: Thank you. Staff did point that out to us a short time ago, and we appreciated the heads up.

In fact, there is a reference or two that were inadvertently left unredacted. So, we will, at the end of this hearing, take up Staff's offer and propose to file a revised filing.

There's always a chance during the course of the hearing that one or two other things may come up that require revisions. So, maybe -- it may turn out that we can do all of that at once.

And I neglected to mention, when you asked about exhibits, to the extent that we have filed confidential information, the source of the confidential treatment for a cost of gas proceeding is Puc 201.06(a)(11) and 207, it does not require a ruling from the Commission at this time. It sets up the process if a party later -- or, a person later seeks discovery or copies related to a 91-A request, at that time the Commission will address whether to keep the material confidential or not.

Thank you.

CHAIRWOMAN MARTIN: Thank you. And I did note that in your pleading.

Mr. Kreis, do you want to respond on the issue?

MR. KREIS: The transparency mavens at the Office of the Consumer Advocate have no problem with the suggestion that the Staff made for how to proceed.

CHAIRWOMAN MARTIN: Okay. Then, we will proceed in that manner. And we will treat everything that's marked "confidential" and the information just referred to as confidential during this hearing.

Okay. I think, at this point, we're ready to proceed to the witnesses, unless anyone else has something they need to address?

Ms. Schwarzer.

MS. SCHWARZER: Is this where we each introduce who's with us at the table or are you calling a panel?

CHAIRWOMAN MARTIN: Well, I'll proceed as you, the parties, see fit. My understanding was that Liberty would be putting on at least two witnesses. And we can do that as a panel, as it were.

MR. SHEEHAN: That's our preference. Thank you.

CHAIRWOMAN MARTIN: Okay. Mr. Patnaude, I believe that we are going to have Ms. McNamara and Mr. Mullen, is that right?

MR. SHEEHAN: There's an additional witness. Mr. Simek was not -- did not file testimony, but, in the course of the discovery process --

[Court reporter interruption due to inaudible audio.]

CHAIRWOMAN MARTIN: Okay. Off the record.

[Brief off-the-record discussion ensued.]

CHAIRWOMAN MARTIN: I'll go back on the record. You're all set?

MR. PATNAUDE: Yes.

CHAIRWOMAN MARTIN: Okay. Mr. Sheehan, are you -- actually, let's go to Ms. Schwarzer first.

[Court reporter interruption.]

CHAIRWOMAN MARTIN: Okay. Mr. Sheehan, can you repeat yourself, if you remember?

MR. SHEEHAN: Yes. And I will speak very slowly, maybe that will help.

Mr. Simek --

MR. WIND: I'm sorry, I need to interject. It is not recording right now.

[Short pause.]

MR. WIND: The command to resume the recording is not showing me any indication that recording is resuming.

CHAIRWOMAN MARTIN: Steve, let's go off the record, if you haven't.

[Brief off-the-record discussion ensued.]

CHAIRWOMAN MARTIN: Okay. Thank you. Back on the record. Mr. Sheehan.

MR. SHEEHAN: Mr. Simek did not file testimony, but he was involved in discovery responses and in the preparation of the work that supported the revised filing. So, we intend to have him on the panel, in case questions arise that he is best able to answer.

CHAIRWOMAN MARTIN: Okay.

MR. SHEEHAN: So, the panel would consist of Mr. Simek, Ms. Gilbertson, and Ms. McNamara.

CHAIRWOMAN MARTIN: Okay. Before we have the witnesses sworn in, then let's go back to Ms. Schwarzer.

Ms. Schwarzer, did you have someone with you that you wanted to disclose?

MS. SCHWARZER: I do not. I'm not familiar with this procedure. And, so, it's new to me. I thought each person would be asked the same question about where they are and whether they're by themselves. I am remote, and I am alone.

CHAIRWOMAN MARTIN: The Commissioners are obligated to disclose their location and whether anyone is with them, as a public body.

So, I don't ask that others disclose their locations. Certainly, if anyone is with you, and you can disclose that, that is appreciated, but not the family in your home.

Anybody?

[No verbal response.]

CHAIRWOMAN MARTIN: All right. Then, we'll move forward.

Mr. Patnaude, if you would swear in the witnesses please.

(Whereupon ***Deborah Gilbertson***, ***Catherine McNamara***, and ***David Simek*** were duly sworn by the Court Reporter.)

CHAIRWOMAN MARTIN: Okay. Mr. Sheehan.

MR. SHEEHAN: Thank you.

DEBORAH GILBERTSON, SWORN

CATHERINE McNAMARA, SWORN

DAVID SIMEK, SWORN

DIRECT EXAMINATION

BY MR. SHEEHAN:

Q Mr. Simek, would you please identify yourself and your position with the Company?

A (Simek) I am the Manager of Rates and Regulatory Affairs for Liberty Utilities.

Q And did I correctly characterize your work that supported certain discovery responses and the revised filing?
A (Simek) Yes, you did.
Q Ms. McNamara, please state your name and your position with the Company, and make sure you take yourself off mute first? We can't hear you. Yes. There we go.
Ms. McNamara, I think we're good now. Your name please?
A (McNamara) Catherine McNamara. I'm a Rates Analyst in Regulatory -- Rates and Regulatory Affairs for Liberty Utilities.
Q Did you prepare testimony that was part of the original filing that's been marked as "Exhibits 3" and "4" and the revised filing that was marked as "Exhibits 1" and "2"?
A (McNamara) Yes, I did.
Q Focusing on the revised testimony, do you have any changes to that testimony?
A (McNamara) Yes, I do.
Q Please walk through, I understand there are three basic corrections, if you could explain one at a time?

A (McNamara) Sure. So, the first is on Bates Page 004, on Lines 8 and 18. The testimony references "propane sendout", but it's actually just "sendout". It's combined, both propane and CNG.

CHAIRWOMAN MARTIN: Can I just -- I apologize. For the record, could you point us to the exact location, so we can make the change?

WITNESS McNAMARA: Sure. On Bates Page 004, on Line 8, it says the "anticipated cost of propane sendout", it should say "combined sendout".

CHAIRWOMAN MARTIN: Okay.

WITNESS McNAMARA: And then, on Line 18, at the same Bates Page 004, the question references "adjustments to the cost of propane sendout", and this again is "adjustments to combined sendout".

CHAIRWOMAN MARTIN: Thank you.

WITNESS McNAMARA: Sure.

BY THE WITNESS:

A (McNamara) The second item is on Bates Page 019. The Company found that we included ______ of CNG demand reduction twice, and that that will change -- that would have changed the rate by one and a half -- 1.32 cents, from "0.6326" to "0.6458". We had discussions with Mr. Iqbal, from the Commission Staff. And it was determined that we are all in agreement that we will make that correction in the first monthly adjustment trigger filing in June.

BY MR. SHEEHAN:

Q And the third?

A (McNamara) And the third is on Bates Page 027, Schedule I-2, on -- let me just pull that up. On Bates Page 027, Line 7, the "Customer Charge" for the month "July of '19" through "October of '19" should have been "$15.20", not "15.02".

And, on Line 9, the wrong monthly cost of gas rate was used for May and June. Both of these changes combined changes the total bill difference, from a decrease of "$25.30", to a decrease of "$25.67", and a decrease of "11.4 percent", should be "11.5 percent".

Schedule I-2 is the same schedule for the FPO rate. Given it's the summer period we're talking about, there is no FPO rate. So, the first number is going to be referenced on Bates

Page 26, Schedule I-1.

Q So, Ms. McNamara, in this proceeding, can the Commission rely on -- which schedule can the Commission rely on to approve the requested rates?

A (McNamara) Schedule I-1.

MR. SHEEHAN: And, for the Commission's benefit, to the extent we will make a revised -- provide a fixed filing for the confidential issue, we can also make these corrections that Ms. McNamara just described.

WITNESS McNAMARA: Yes.

CHAIRWOMAN MARTIN: Ms. Schwarzer, you have your hand up?

MS. SCHWARZER: Thank you, Madam Chair. I wonder if the corrections made on Page 19 included the reference of information we've determined needs to be treated as confidential, which would be numbers of the CNG demand.

And I just wanted to bring that to the Commission's attention.

CHAIRWOMAN MARTIN: Mr. Sheehan.

MR. SHEEHAN: Again, we acknowledge the disclosure, inadvertent disclosure of some confidential info. We will make that redaction as part of the revised filing, in addition to what Ms. McNamara just described.

MS. SCHWARZER: I apologize. I literally meant, I believe the numbers that Ms. McNamara stated were confidential. And I just wanted to bring that up, because I thought we are not supposed to do that.

CHAIRWOMAN MARTIN: Mr. Sheehan, do you agree with that?

MR. SHEEHAN: I'm not sure. Ms. McNamara?

WITNESS McNAMARA: So, I referenced the double count of the adjustment of _______, which is a percentage of the summer demand charge. And I believe the _______ is what Ms. Schwarzer was referring to. That, if you follow through the testimony, you could calculate the summer CNG demand charge.

MR. SHEEHAN: That being said, we will have to live with this transcript as is. We will make the correction in the written filing.

CHAIRWOMAN MARTIN: Okay. And, going forward, if the witnesses could please be cautious to avoid stating the material that is confidential without letting us know in advance, that would be helpful.

Mr. Kreis, did you have anything to add on that?

MR. KREIS: I just would like to point out that there does become a point where the Company is going to have to confront the reality that it has made so many disclosures on the record about information that it is claiming confidential treatment for, that it essentially has waived that claim.

CHAIRWOMAN MARTIN: Mr. Sheehan, do you want to respond to that?

MR. SHEEHAN: We disclosed one number inadvertently on the record. And I don't think that constitutes a waiver. To the extent -- and, in the normal course, we can redact the transcript. There's a chance there's a member of the public that heard it. And, if that's the case, that's the risk that that could happen. But I do believe we can appropriately redact the information in the transcript before it is filed.

CHAIRWOMAN MARTIN: And, for the reason

stated by Ms. Schwarzer earlier, the larger benefit of having it remain confidential, I think we will continue to proceed in treating it as confidential.

You can proceed.

BY MR. SHEEHAN:

Q Ms. McNamara, with those changes, do you adopt your testimony as your sworn testimony in this matter?

A (McNamara) I do.

Q Can you tell us what the proposed cost of gas rate is that the Company is seeking to be approved in this matter?

A (McNamara) Yes. The proposed cost of gas rate in this proceeding for Keene is 0.6326 cents per therm.

Q That would be $0.6326 per therm, correct?

A (McNamara) Yes.

Q And can you compare that rate to what was approved a year ago for last summer's cost of gas?

A (McNamara) Yes. This year's rate is $0.4745, or 42.8 percent less than the initial rate requested last year, of $1.1071, which was approved by the

Commission.

Q Can you tell us the average rate paid by customers last summer?

A (McNamara) Yes. The average rate can actually be found on Schedule I-1, Column 14, Line 16. And it is $0.9007.

Q Can you tell us what the total bill impact is of the change from last summer to the beginning rate of this summer?

A (McNamara) The bill impact is a reduction of $25.67, or 11.5 percent, for the six-month period.

Q And --

A (McNamara) And that can be found on -- I'm sorry?

Q Go ahead.

A (McNamara) And that can be found on Schedule I-1, Column 14, Lines 54 and 55.

Q And can you also illustrate for us the portion of that bill impact that is related to the change in the cost of gas, rather than the total bill?

A (McNamara) Sure. The cost of gas bill impact is a reduction of $23.33, or 29.8 percent, for the six-month period. And that can be found on Schedule I-1, in Column -- in Column 14, Lines 50 and 51.

Q And did the Company file its reconciliation of the Summer 2019 cost of gas from last year's case? And, if so, what was the conclusion of that filing?

A (McNamara) The reconciliation filing was made on December 31st of 2019. The Final Audit Report was filed on April 7th, 2020. And there were no audit findings.

Q Thank you. Ms. Gilbertson, could you introduce yourself and your position with the Company?

A (Gilbertson) Yes. Hi. I'm Deborah Gilbertson. And I'm the Senior Manager of Energy Procurement for Liberty Utilities.

Q And did you participate in the testimony that was filed, both as part of the original filing, Exhibits 3 and 4, and part of the revised filing, Exhibits 1 and 2?

A (Gilbertson) Yes, I did.

Q Do you have any changes to your testimony today?

A (Gilbertson) I do not.

Q Do you adopt your testimony today as your sworn testimony?

A (Gilbertson) Yes.

Q Could you give the Commission a high-level description of what the Company did between the original filing and the revised filing?
A (Gilbertson) Yes. So, the revised filing took into account the COVID-19 impact on demand. And we -- as a result, we anticipated a lower sendout, and we modified the demand forecast to accommodate that change.
Q On what did the Company base the amount that it reduced the load forecast?
A (Gilbertson) Well, what we did was, and we did it for all companies, is we performed somewhat of a backcast on what the demand forecast should have looked like for the month of March, and given the weather, and what the actual sendout resulted in, using the same weather. So, the difference between what we would have expected the demand to be, versus what it actually was, knowing that the impact was the result of the virus.
Q And is there an understanding of how much of March was probably affected?
A (Gilbertson) Yes. Yes. So, March was affected by about six percent, which is pretty much consistent with a lot of the other territories we

looked at. But we also realized that March was only a portion of -- the demand was only impacted for maybe a little more than a week. So, what we also did was we looked at what our commercial loads -- we took kind of an inventory of our commercial loads, and whether or not they were shut down or curtailed, or were actively, you know, working.

So, the result is that we anticipate the demand to be about 25 percent less in the early months, and then hopefully recovering for the later months of the summer. Now, of course, we don't -- we don't actually know what's going to happen. But we do, you know, we anticipate that, of course, the commercial customers are going to be impacted, but the residential customers, on the other hand, kind of anticipating a little bit of an uptick there, because we've got stay-in-place orders and, you know, people are just not leaving their homes, and you've got more people in the house.

So, we are actively watching this. The Company is taking it very serious. And, as we evolve, and we'll get better information in

April, because we'll have a full month to analyze. And, as we, you know, as we progress, and, hopefully, by the end of the summer that we're in a better spot. But we're actively monitoring it, and making adjustments as we go.

Q Ms. Gilbertson, you referenced "other companies". Are you responsible for gas purchases in other Liberty territories?

A (Gilbertson) Yes.

Q Roughly, how many other customers, other than EnergyNorth and Keene, do you buy fuel for?

A (Gilbertson) We have Georgia, Missouri, Iowa, Illinois, Massachusetts, New York. And we've got an office in Canada.

Q And, when you say the -- the work you just described of forecasting the load is based, in part, on data from all these other territories that you're watching?

A (Gilbertson) I'm sorry, can you repeat that, Mike?

Q The work you just described for adjusting the Keene load forecast is based, in part, on what you're seeing in all these other territories?

A (Gilbertson) Well, we are uniquely looking at

Keene, but we are performing the same analysis in all territories.

Q Can you tell us how much of an impact on the proposed cost of gas did this demand reduction have, comparing what was in our initial filing, before the COVID analysis, to what's in the revised filing, which takes into account the load reduction forecast you just described?

A (Gilbertson) The impact on the cost of gas is -- there is no impact, because the unit cost of gas didn't change. There was a change in the rate between the original filing and the current filing, but it was due to pricing upticks.

Q Can you give us, again, a high-level explanation for why you think the cost of gas did not change, even though you're predicting a -- or, projecting a demand -- a load reduction?

A (Gilbertson) The cost of gas didn't change, because the unit cost of gas is just used as an index price. It's the same no matter how many dekatherms you're buying.

Additionally, what we did, the only -- the only fixed charges that would affect the price if we lowered the demand would have been the demand charge for the CNG, as well as the overrecovery, which we would be giving back. So, what we did, essentially, is lower everything at the same percentage. So, effectually, the rate didn't change.

MR. SHEEHAN: Staff was kind enough to send the Company a series of questions that they would like addressed in this proceeding. And, with their assent, I'm going to run through those questions on direct. And, obviously, Staff has every right to follow up, to the extent I don't ask them correctly or if there's follow-up questions. So, if I could walk through those.

BY MR. SHEEHAN:

Q Ms. Gilbert -- yes, Ms. McNamara?

A (McNamara) Yes.

Q If you could identify and explain the changes made to the initial filing? I think Ms. Gilbertson described the process that we went through and the high-level results. Can you show the Commission where those changes where?

A (McNamara) So, I'm not sure I totally understand your question, Mike, Mr. Sheehan.

Q Maybe let me ask it differently. Ms. Gilbertson described the change in the load forecast and a corresponding change to the fixed charges that apply to the cost of gas. Did you incorporate those changes into the normal calculation of the cost of gas?

A (McNamara) Yes. And the overall rate, that took into account the updated futures, anything that came up in the technical session from either the OCA or Staff, and the adjustment for COVID-19, were all taken into account when the rate went up by $0.0153.

Q So, you gave us the precise change in the initial filing versus the revised filing that Ms. Gilbertson described, and it's the small change that you just referenced?

A (McNamara) Correct.

Q Exhibit 5 was an exhibit Staff asked to be introduced, and Exhibit 6, referring to those, what was the amount of the 2019 Summer over-collection?

A (McNamara) So, the 2019 Summer over-collection was $80,938.

Q And how did that compare to the total 2019 Summer Cost of Gas?

A (McNamara) So, the 2019 Summer Cost of Gas was $283,953, or approximately 44 percent.

Q Can you explain why there was that over-collection?

A (McNamara) So, the over-collection of the 80,938 was primarily driven by the removal of production costs and CNG demand costs. Production costs are approximately 57,000 and the demand costs, which I guess this is -- I'm going to say can be referenced in attachment -- or, Staff 1-2. I believe the CNG demand cost is a confidential piece of information.

Q So, the two components of the over-collection were removal of demand costs and production costs that were included last year and are not included this year, is that correct?

A (McNamara) Correct.

Q And that decision to remove those demand costs is something that has been discussed with Staff through the course of these proceedings, is that correct?

A (McNamara) Correct. We had conversations with Staff. And it was determined in September that we would only lower the rate to $0.4607, and that was so that we didn't send the wrong price signal to the customers, because the decrease would have been larger than that.

Q Turning to Staff Exhibit 7, which is another data response, our 1-4 shows propane production costs of approximately $52,000 for last summer. Can you give us the categories and give us a description of what comprises those costs, not the dollar amounts, but the types of costs?

A (McNamara) Yes. So, the production costs in Account 733 are Technical Labor Payments. Technical labor includes daily plant checks, gas loads, and internal labor costs related to plant maintenance requirements.

And the production costs in Account 735 are for voucher payments. Voucher payments are for services such as septic, electric, taxes, insurance, water purchases, parts needed for plant repairs, contractor work for plant facilities and/or equipment maintenance.

CHAIRWOMAN MARTIN: Mr. Sheehan, you're on mute.

MR. SHEEHAN: Thank you. I'm scrolling between the document and the screen, so sometimes

I lose track.

CHAIRWOMAN MARTIN: Completely understand.

BY MR. SHEEHAN:

Q The second largest expense Staff noticed is $5,649 for something called "PRECAL", P-R-E-C-A-L, which is about 11 percent of the cost. Can you tell us how that cost and what it represents is used in the propane production process?

A (McNamara) Sure. That cost for Precision Cal is an annual service for a piece of equipment called the "calorimeters". And what that does is it records -- it determines and records the Btu content of the gas. If I'm correct, this is a piece of equipment that we have to put in for CNG. And that's what it was for, is maintenance for that particular piece of equipment.

Q Does any of the other Liberty witnesses have a understanding of what that equipment was? And I see Mr. Simek raising his hand. I'd appreciate that explanation.

A (Simek) Thank you. I just wanted to point out that the meter that we purchased is a Safety

Staff recommendation that was related to measure the Btu content of propane, not CNG. It is for the plant itself.

Q Thank you. The other questions Staff wanted addressed are more for Ms. Gilbertson. So, --

[Court reporter interruption due to inaudible audio.]

BY MR. SHEEHAN:

Q The other questions Staff asked that we address are for Ms. Gilbertson. So, Ms. Gilbertson, if you could, I think some of this might have been covered already, how the revised sales forecast impacted the proposed rate from the initial filing? And I believe that's already been discussed, is that correct?

A (Gilbertson) I think we've just talked about that.

Q Okay. How did the -- you mentioned that you updated the futures price for the revised filing, and you used I believe it was an April 14th futures price, is that correct?

A (Gilbertson) Yes.

Q How much did that updated price change the proposed rate from the initial filing?

A (Gilbertson) So, when we updated the rate, the CNG went down slightly and the propane futures went up slightly. So, the impact was about a penny and a half on the rate.
Q Generally, how do current natural gas and propane futures compare to April 14th futures that you just described?
A (Gilbertson) They both went up slightly.
Q Do you know what the cost of gas rate would be today if the current future prices were used in setting the rate?
A (Gilbertson) Yes. It would go up by 1.3 cents.
Q And is it correct that the practice in prior cost of gas hearings was to not necessarily change the proposed rate, but to address any such movements through the monthly trigger filings, as we refer to them?
A (Gilbertson) Yes. Because if I looked at it today, it would likely be different. It changes every day.
Q Staff asked us to cover the COVID-19 adjustments, referring to -- you described how we decided to address the over-collection from last year and the other fixed charges from last year, and you

described that we lowered those amounts in this cost of gas by the same amount that we lowered the demand forecast, is that correct?

A (Gilbertson) That is correct.

Q Can you explain what will happen to those, let's assume it's $100 of an over-collection that would otherwise be in this summer's cost of gas, we lowered that to $85, a fifteen percent reduction. Can you tell us what will happen to those $15 that aren't being considered in this summer's cost of gas?

A (Gilbertson) Yes. It will be moved to next summer.

Q And the thinking behind that was what?

A (Gilbertson) The thinking behind that was that the customers that contributed to that over -- overpayment, if you want to call it, many of them are not working -- are not open right now. So, we'll defer that to a time when hopefully everybody can participate in that, in recouping that.

Q So, if a customer is closed today, not using any fuel, they would not get the benefit of the overpayment. But the proposal is to allow them

to enjoy some of that benefit next summer, when, hopefully, they're back up and running?
A (Gilbertson) That's correct.
Q Your testimony, Bates 010, compares the 2019 CNG and propane costs with and without propane production costs. The table on Bates 011 shows propane production costs of $12,058. Can you please explain how that cost is derived?
A (Gilbertson) Yes. That was taken from the actual -- actually, there was a DR on that, that listed out the production costs by month. So, I just extracted the October, because that's the month that we used the CNG.
Q So, the only month --

CHAIRWOMAN MARTIN: Mr. Sheehan?

MR. SHEEHAN: Yes.

CHAIRWOMAN MARTIN: Could you please pause? This is -- and can we go off the record, Steve, please?

(Brief off-the-record discussion ensued and a recess was taken at 11:01 a.m. and the hearing resumed at 11:11 a.m.)

CHAIRWOMAN MARTIN: Okay. Then, Mr. Sheehan, if you're ready, and Mr. Patnaude, let's go back on the record.

MR. SHEEHAN: Thank you. I just have one or two more questions for Ms. Gilbertson.

BY MR. SHEEHAN:

Q The CNG propane cost comparison in our filing includes a footnote regarding a disputed charge. Can you please tell us what the status of that dispute is, and, if we cannot resolve that dispute, how will it be resolved?

A (Gilbertson) Yes. So, unfortunately, there was a line item on the invoice that we weren't expecting to see, and we have to dispute it. So, we have talked to the vendor, and they're aware. And they -- they're very nice people, they're trying to work with us. And how I left it with them was, we had a conversation, they understood where we were coming from, and we understand, you know, their -- we understand them as well, that they were going to get back to us.

So, at this point, we haven't paid the charge. It's under dispute. And, if we don't come to some resolution that's satisfactory, then we're going to have to get Mike involved.

CHAIRWOMAN MARTIN: Mr. Sheehan, you're

on mute.

MR. SHEEHAN: Thank you.

BY MR. SHEEHAN:

Q Last, Ms. Gilbertson, I think we've covered this, but to be explicit, the order approving our winter cost of gas for Keene included a paragraph or two on this topic, but the most direct statement is the following: "We require Liberty-Keene to calculate and report the incremental supply savings and costs in the Company's COG reconciliations", related to the propane/CNG costs. Did you perform that analysis?

A (Gilbertson) Yes. We performed that analysis within the testimony, actually.

Q Where can we find that?

A (Gilbertson) We can find that on Bates Page 010 and 011.

Q And a snapshot or a conclusion of what it shows?

A (Gilbertson) The conclusion of what it shows is that the comparison, when we include the production costs, there is a difference of about 17 cents more for the CNG. If we exclude the production costs, the cost difference is about 34 cents additional for the CNG, which pretty much -- about 2,000 with the production costs included, and about 4,000 without production costs included.

And, of course, we've got that disputed charge in there. So, we've included that, but that will be something lesser, I'm hoping.

Q And that comparison applies just for the month of October 2019, is that right?

A (Gilbertson) Yes, because that's the only month that we -- last summer that we utilized the CNG.

Q And we will do the same comparison in the winter cost of gas when we are looking at what happened over the course of last winter, is that correct?

A (Gilbertson) Yes.

MR. SHEEHAN: Thank you. I appreciate everyone's patience. Those are all the questions I have of our witnesses.

CHAIRWOMAN MARTIN: Okay. Thank you. Mr. Kreis.

MR. KREIS: Thank you, Chairwoman Martin.

Mr. Sheehan's last question was the first question I was going to ask. So, now I don't have to ask that question. And I think that I, therefore, only have one question.

CROSS-EXAMINATION

BY MR. KREIS:

Q And it relates to Exhibit Number 5. And the very last sentence of the response that the Company provided, that Ms. McNamara provided in Exhibit 5, says "Since the COG rate wasn't lowered to the calculated COG rate, the Company had an over-collection."

And my question to Ms. McNamara is, why wasn't the COG rate lowered to the calculated COG rate?

A (McNamara) So, it wasn't because of the impact that we didn't want to send the wrong pricing signal to the customer.

Q Okay. That --

A (McNamara) We discussed it with Staff --

[Court reporter interruption due to inaudible audio.]

BY THE WITNESS:

A (McNamara) I believe we had a conversation with Staff. Just give me one second.

Yes. So, we did have a conversation --

CHAIRWOMAN MARTIN: Mr. Simek -- I'm sorry to interject. Mr. Simek, why is your hand raised?

WITNESS SIMEK: I was hoping if I could add a little more to that response that Ms. McNamara just gave?

CHAIRWOMAN MARTIN: I will leave that to Mr. Kreis at this moment. He's doing the questioning.

MR. KREIS: I would propose that we let Ms. McNamara finish her sentence. And then, Mr. Simek, as far as I'm concerned, is more than welcome to add whatever he would like to add.

WITNESS SIMEK: Thank you.

CONTINUED BY THE WITNESS:

A (McNamara) So, I was just saying that we had this discussion between the Company and Staff about what rate we should lower it to, so that we didn't send the wrong price signal to the customer.

BY MR. KREIS:

Q Okay. I would therefore suggest that Mr. Simek now unmute himself, and he is welcome to provide his take on my question, or his response.

A (Simek) Yes. I just wanted to point out that I was the one who had the conversation with Staff. So, Ms. McNamara wasn't actually part of that conversation. Well, with Mr. Frink, we were discussing what the impact of some other changes that we had made and all that, and how low the rate would have been that we calculated, and how we felt that we should all proceed. And that's where we came up with a rate that was higher than what the actual calculated cost of gas rate was.

MR. KREIS: Okay. Those are all my questions, Madam Chairwoman.

CHAIRWOMAN MARTIN: Okay. Thank you. Ms. Schwarzer.

MS. SCHWARZER: Thank you, Madam Chairwoman. I would propose that we take a brief recess, so that I can have an opportunity to speak with Staff before we go forward with the cross-examination?

CHAIRWOMAN MARTIN: Any objection to taking a brief recess? Five minutes enough?

MR. SHEEHAN: No objection.

MS. SCHWARZER: Ten minutes would be fine.

CHAIRWOMAN MARTIN: Ten minutes. Okay. I encourage you to let us know if you are done sooner, because I think we want to try to finish before the next hour.

All right. Thank you. We'll be back in about ten minutes.

(Recess taken at 11:19 a.m., and the hearing resumed at 11:37 a.m.)

CHAIRWOMAN MARTIN: Okay. Let's go on the record please. Go ahead.

MS. SCHWARZER: Thank you, Madam Chairwoman. I have some questions that I'd like to ask Liberty's panel. I think this is for Ms. McNamara, but anyone can answer as appropriate.

BY MS. SCHWARZER:

Q Ms. McNamara, in your -- where is she?

A (McNamara) Right here.

Q I'm having trouble seeing her. Can you wave?

A *(Witness McNamara indicating)*.

Q Oh. Okay. Great. Thank you. Ms. McNamara, in your testimony, I believe you said that the Audit Report was filed. Would you agree that it was issued to the Company, but not filed into the docket?

A (McNamara) Yes. And I haven't looked at the -- so, I haven't looked at the docket online to see the report from Audit Staff, the Final Report, on April -- I believe it was April 9th.

Q You mentioned earlier that the over-collection was distributed over six moments, instead of one month, to avoid a drop in cost. What would that cost have been had you put the over-collection all into that one-month period?

A (McNamara) If we put the -- are you talking about the $80,000 over-collection?

Q Yes.

A (McNamara) If we put that into one month? I don't think we did that analysis.

Q So, perhaps Mr. Simek might have an answer?

A (Simek) Thank you. The way that we calculate the cost of gas rate is we calculate it based on assuming that that rate's going to be in place for the whole six-month period. So, the 6326, I believe the amount that we are requesting, 0.6326 per therm that we are requesting for approval this period is assumed to be a six-month rate. So, in doing so, we always assume that any over-collection or under-collection from the prior period gets built into that six-month rate.

Q I'm sorry, I may have asked an unclear question. I'm trying -- Mr. Simek, you had discussed earlier a conversation with Staff, where you agreed that, instead of lowering the rate immediately, you were going to move that over-collection into the Summer of 2020?

A (Simek) Correct.

Q And had you not done that, how low would the rate have gone?

A (Simek) That number is found on Exhibit 5, and it is $0.1031 per therm.

Q Thank you.

A (Simek) You're welcome.

Q I'd like to direct the panel to Exhibit 7. I know the direct testimony reviewed this, but, Ms. McNamara, and others, if you could go through it more slowly, and indicate both the costs associated with the categories of production costs that you identified, and whether those production costs are variable, that would be helpful?

A (McNamara) So, the part that detailed the 52,000,

I believe it was -- give me one second.
Q I'm sorry, could you say that again?
A (McNamara) Sorry. Give me one second. I think I have that detail noted.

So, the way that that sets up is $29,247.42 is related to payroll, and that would be in Account Number 7 -- I lost it -- in 733. And the production -- the plant charges, in 735, total to -- and it's a difference, it's roughly 35,000, I believe. Roughly 35,000. Sorry.
Q In your direct testimony, though, you listed a number of categories of expenses fairly quickly.
A (McNamara) Yes.
Q Could you repeat them, and give an approximate cost associated with them?
A (McNamara) Sure. So, production costs, in Account 733, would amount to about the 29,000 that I just referenced a few minutes ago, is for technical labor. Technical labor includes daily plant stats, gas loads, internal labor costs related to plant -- sorry -- internal labor costs, that refers -- that's related to plant maintenance requirements.
Q And are those variable?

A (McNamara) I would -- I guess I can't answer that for certain. Maintenance things are usually on a regular basis, I would assume. But I don't know. I don't have the information to say if it's all variable or not.

Q Okay. Is that all of them?

A (McNamara) I'm sorry, what was that?

Q Is that all the categories?

A (McNamara) There's two categories, correct. I think Mr. Simek might be able to elaborate on that.

A (Simek) I just wanted to point out that, when an employee does work at the plant, they charge a specific job. So, that specific job goes to FERC Account Number 733. And that's how we pull that, those costs identified as production costs.

So, if it's a maintenance work that they're doing, either on a daily or monthly basis, then I guess you could look at that as being somewhat of a fixed cost. But any other type of maintenance work that's done periodically would not be fixed, and it would just be, when they do their work, they charge the job.

Q Do you have -- do either of you have a sense of what dollar value is associated with the fixed costs for production?

A (Simek) No, I do not.

A (McNamara) No. I do not either.

Q Would this include electricity and water, the charges here?

A (Simek) What I believe --

A (McNamara) Yes.

A (Simek) -- is we would be hitting Account 735 now, is going to be any additional costs related to the plant, solely to keep the plant up and running. So, it should include utilities, taxes, anything else that's related to that building that are costs that we need to have for that production facility.

Q Okay. And, given these production costs that you described here, in the event that you weren't producing CNG, how much would they change?

A (Simek) The production costs, the purpose of doing the CNG, one of the many purposes, but the main purpose was to not have to run the blower system in the wintertime, and that was due to safety. So, when we implemented CNG, we were trying to avoid having to use the blower system, and we have.

So, there are costs that will get incurred at the plant, regardless of whether that blower system is ran or not. That's exactly why we have a long-term plan to eventually move away from the production facility for propane.

Q But, if you could answer the question, if you weren't producing CNG, how much of those -- would those production costs change at all?

A (Simek) I am assuming they would change somewhat, but I definitely couldn't put a dollar amount to that.

Q Do you think it would be a substantial change or a fairly minimal change?

A (Simek) Well, we can look at prior years' production costs, prior to when CNG was implemented, right? Because we only have one month of CNG for this past summer, October. So, if we're looking at prior years, comparing it to last summer's production costs, I do believe that we are lower than what we've been in the past. I can't give you really a dollar amount, no. And I really wouldn't know if it would be significant or not.

Q Okay. Let me move on to a different question then. Why was the CNG demand charge being deferred? Why was some portion of the demand charge deferred?

A (Simek) I can answer that. We deferred that percentage of both the over-collection and the demand charge to, basically, when netted, to be fair to the customers who are currently not running. So, they're really the only two fixed costs related to the cost of gas. So, one happened to be an over-collection that's fixed, and the other one happened to be a demand charge.

So, in order to -- it doesn't appear to make a lot of sense to just give one or the other as a deferral. If we're going to choose that the right move was to move the full over-collection, we also felt that it was fair to move the other fixed charge that we're aware of, a percentage of that, to the following summer.

Q Would it be fair to describe that as relating the demand charge to the anticipated volumetric usage between this summer and next summer?

A (Simek) Yes. I mean, if we want to look at it that way, but there will be higher demand next summer than there is this summer, since it's mainly a marketplace filled with commercial businesses that aren't really running right now that are using the CNG.

Q If I can direct the panel's attention to Bates Page 009, and Lines 5 to 9. Lines 8 and 9 identify a per therm CNG projected cost to be "0.4451" per therm. What is the projected incremental cost of CNG this summer for total projected usage for CNG?

MR. SHEEHAN: Again, I think these are confidential. So, maybe if you could just point to the line reference and we can all look at the number.

BY THE WITNESS:

A (Simek) If I heard the question correctly, you're asking for the upcoming summer approximately what the incremental cost of using CNG is greater than propane, is that correct?

BY MS. SCHWARZER:

Q No. No. Just what the actual dollar incremental cost of CNG is? You've identified, on Bates Page 009, of the "0.4451" per therm. That's not marked as "confidential", I don't believe. And just -- and what the total incremental cost is for the Summer of 2020 using CNG? Ms. Gilbertson.

A (Gilbertson) Yes. I think if you -- if you refer to Schedule K, and look at the --

Q I think that's Bates Page 031, in Exhibit 2, correct?

A (Gilbertson) Yes, it is. It's Bates Page 031. So, on this schedule, it breaks out for the entire summer what the cost of the CNG is, as well as what the cost of the propane is. And this is where those dollar amounts came from.

So, when you include the demand charge with the CNG, you come up with that dollar, you know, point --

Q Can you direct me to the line and column that would show the total incremental cost for CNG for the Summer of 2020?

A (Gilbertson) Well, it's on Line 28, is the full cost of the CNG. And then, the full cost of the propane is on Line 41.

Q But I'm just asking for the calculation that would tell us the total incremental cost for using CNG for the Summer of 2020?

A (Gilbertson) So, I guess, if you took that difference, was it forty something cents, and then you times that by the CNG, that would be the volumes. That would give you your differential.

Q Okay. And the volumes, are the volumes also in Schedule K?

A (Gilbertson) Yes, they are. They're on Line 21.

Q Thank you. I do have a few more questions.

A (Gilbertson) And I'm coming up with about 20,000.

Q Thank you. What percent of the Summer 2019 load was served using CNG?

A (Gilbertson) I don't know offhand. It was just the one month.

Q And for a limited number of commercial customers?

A (Gilbertson) Yes. It was the Plaza, the Monadnock Plaza.

Q Does anyone else on the panel have an answer for the percentage?

A (Gilbertson) I mean, we could get that, for certain.

A (Simek) I do not have that right now. But I can calculate it real quick, I think.

Q Thank you.

[Short pause.]

CONTINUED BY THE WITNESS:

A (Simek) I believe it was approximately three and a half percent. Again, the CNG was only served for one month, and it was only for that one plaza.

BY MS. SCHWARZER:

Q Thank you.

A (Simek) You're welcome.

Q If Liberty had not begun using CNG in October of 2019, how would that have impacted the 2019 propane production? Would propane costs have been less, and how much less?

A (Simek) Does that -- I believe that's the question that Ms. Gilbertson answered, when she said it was about a $20,000 incremental difference between propane and CNG.

A (Gilbertson) No. She's talking about 2019.

A (Simek) Oh. So, I do believe that that's included in the schedule that we had in our testimony, that late add.

Q In the revised?

A (Simek) Yes, in the revised filing. And, so, I believe, if we do the same calculation that Ms. Gilbertson referenced earlier for the incremental costs for the upcoming summer, but we just do it for this one month of October, I believe that we would need to look at the schedule, and take the difference between the two prices of the cost per therm, and then multiply it by the number of therms that were CNG.

Q Are you on Schedule K?

A (Simek) No. I'm sorry. I'm on Bates Page 011, which is the table that's included in our tariff -- I'm sorry, in our testimony.

Q So, the question -- the question was, how would that, if CNG had not been produced in October 2019, how would that have impacted propane production?

A (Simek) Correct.

Q Well, can you say, like, more? Less? Incrementally more? Incrementally less?

A (Simek) Well, okay. I'm sorry. I thought you were looking for a dollar amount. If we're not looking for a dollar amount, yes. Propane production would have increased, because we would have been producing more propane than we had to produce to serve our customers, because we offset with some CNG.

Q But would it have been a significant increase or a marginal increase?

A (Simek) I would assume marginal, because, again, all of the therms that were consumed that were CNG only made up 3.5 percent of summer load.

Q And which production costs, given the CNG production in 2019, which propane production costs do you believe were impacted or lower?

A (Simek) Yes. I would -- I just can't answer that question. I don't work at the plant. I'm not sure what the process is of how we produce the propane gas.

Q Well, aren't the majority of propane production costs fixed costs?

A (Simek) No. I thought we had discussed that a few moments ago. That it's just when the employees of Keene actually do work at the plant that they charge their time to a job that gets booked to that plant.

Q Do you think it's fair to say that a change in propane production costs due to a modest reduction in propane production is not significant?

A (Simek) Yes.

Q There's testimony on Bates Page 009, again, Lines 8 and 9, that talk about CNG cost per therm. Does Liberty use anything other than propane or spot propane or CNG during the summer?

A (Gilbertson) No.

Q Turning to Exhibit 2, Schedule K. I'm sorry, Bates Page --

[Court reporter interruption due to inaudible audio.]

BY MS. SCHWARZER:

Q Bates Page 031. Okay. Lines 32 to -- do Lines 32 to 38, propane costs, reflect all the costs related to the delivery of propane delivered to Keene for -- excuse me. Do those propane costs reflect all costs related to the delivery of propane to Liberty-Keene's propane storage tanks used to feed the production plant?

CHAIRWOMAN MARTIN: Ms. Schwarzer, can I interject please? It is noon, and I have lost most of my video.

Commissioner Giaimo, are you in the same boat?

And I apologize, Steve. I should have said "off the record".

[Brief off-the-record discussion ensued.]

CHAIRWOMAN MARTIN: Okay. Let's take a five-minute recess please.

(Recess taken at 12:01 p.m., and the hearing resumed at 12:08 p.m.)

CHAIRWOMAN MARTIN: All right. Back on the record.

BY MS. SCHWARZER:

Q I'm just going to repeat my question. We're on Exhibit 2, Schedule K, Bates Page 031, Lines 32 through 38. Those lines identify propane costs. Do those propane costs reflect all the costs related to the delivery of propane to Liberty-Keene's propane storage tanks used to feed the production plant?

A (Gilbertson) Yes. That's a delivered cost, expected delivered cost.

Q Thank you. And, on the same page, same Bates page, Lines 23 through 27, do those CNG costs reflect all the costs related to delivering natural gas to the Keene distribution system?

A (Gilbertson) Yes. That's the projected cost.

Q And you may have covered this already. In your opinion, does subtracting the per therm cost of propane on Line 28, from the per therm cost of CNG on Line 40, and multiplying the difference by CNG therms on Line 22, provide a reasonable estimate of the incremental savings or costs of using CNG?

A (Gilbertson) Yes. But it doesn't include the production costs. So, --

Q The production costs of which?

A (Gilbertson) Concerning the propane. So, it's including the demand charge for the CNG, which inflates that cost. But we're not including any production costs for the propane. So, we aren't inflating that cost.

And I don't know how you want to look at it. You could look at it -- you know, that's why we did the analysis in two separate ways in the testimony.

Q So, your earlier answer about $20,000 being the incremental cost for the total CNG production over the summer, is it your position that that does not include the propane production costs?

A (Gilbertson) It doesn't.

MS. SCHWARZER: I'm going to follow up.

I'm going to ask to call a Staff witness. I'm going to ask to call Steve Mullen -- excuse me, Steve Frink.

We can do that now or Mike might have some follow-up based on that.

CHAIRWOMAN MARTIN: Why don't we finish these witnesses, since I think we're fairly close. If you're done with your cross, --

MS. SCHWARZER: I am. Thank you.

CHAIRWOMAN MARTIN: -- we can go to the Commissioners. Mr. Frink?

MR. FRINK: I was envisioning just asking a few questions of the witnesses, and not actually taking the stand.

CHAIRWOMAN MARTIN: That you would ask the questions or Ms. Schwarzer?

MS. SCHWARZER: I'm happy to defer to Mr. Frink.

CHAIRWOMAN MARTIN: Is there any objection to that?

MR. SHEEHAN: No. And it's a process that's foreign to people who come from courts, but it occurs on somewhat, not a regular basis, but it happens here. And we're happy to go along with it to keep this thing moving.

CHAIRWOMAN MARTIN: I appreciate that. Mr. Kreis, the same?

[Atty. Kreis indicating.]

CHAIRWOMAN MARTIN: Okay. Mr. Frink, you can go.

MR. FRINK: Yes. Okay.

BY MR. FRINK:

Q So, we were talking about the propane production costs, and comparing those to the incremental costs providing CNG. And my question to the panel is, regardless of whether you're providing CNG or not, would you be running the propane production plant?

A (Simek) And my answer is "yes".

Q And the costs that you cited earlier for production, which were labor, maintenance around the plant, contractors that come in to do work, do any of those go away if you weren't providing propane -- weren't providing CNG? In other words, you have to run the plant. You have to man the plant. You have to maintain the plant, if you're providing propane.

So, the real question is, those costs

that were cited earlier, how many of those actually go away or get reduced, if you reduce your -- the amount of propane you're producing?

A (Simek) Yes. I don't have that answer in front of me. I don't believe -- I see your point, of you don't believe there would be much. And I agree that there probably wouldn't be much, but I do think there probably would be some sort of reduction. It just may not be significant.

MR. FRINK: Fair enough. Thanks. I just wanted to clarify, because there seemed to be a lot of confusion on that.

WITNESS SIMEK: Sure.

MR. FRINK: So, that's all I wanted to bring up. Thank you.

WITNESS SIMEK: Thank you.

CHAIRWOMAN MARTIN: Okay. Thank you. Commissioner Bailey.

CMSR. BAILEY: Thank you. Anybody on the panel can answer my questions.

BY CMSR. BAILEY:

Q Can somebody tell me why you issued the RFP for the Propane Purchasing Stabilization Plan in March?

A (Gilbertson) That is -- we always issue it in March every year, because the purpose of that program is to incrementally buy the propane over the summer period, hoping that the price is lower, to be used in the following winter. It's a hedging strategy.

Q Yes. I understand the hedging strategy. I think what I don't understand is the pricing. So, when you issue -- when you accept or when you award an RFP in March, isn't it possible that the price will be better if you issued it in May?

A (Gilbertson) Well, the only thing that they're bidding on is the basis cost. It's still tied to the Mont Belvieu pricing index. So, what they're bidding on is just the cost to get it to Keene. So, we're really -- if you look at Schedule K, and you see all those incremental costs associated with delivering the product, that's what they're bidding on. They're bidding on their cost to get it there, from Texas or wherever. You know, so, it would be Mont Belvieu, plus a fixed basis. And that's what they bid on. So, it's still going to be a little bit volatile, because you're tying it to the index.

Q Okay. Thank you. And every potential bidder would charge the spot price from Mont Belvieu?

A (Gilbertson) Yes. Right. Well, not -- you know, they will tie it to Mont Belvieu, and then their bid will be what's, you know, that incremental amount. Yes.

Q Okay. Thank you.

A (Gilbertson) Yes.

Q About the demand charge, that's a fixed charge, right?

A (Gilbertson) Correct.

Q So, can you explain again why you reduced the collection by fifteen percent in the summertime, if you still have to pay the same amount?

A (Gilbertson) Because of the COVID, we reduced the fixed costs. So, similar to what Mr. Simek was saying about not wanting to, for the over-collection, that all in, we'd save fifteen percent for those that are closed down, and then they could, you know, get that benefit. Similar to that, the demand charge, there's a lot of customers that are not burning gas because of the virus.

So, the ones that are burning gas shouldn't have to, you know, they shouldn't have to pay for that. So, we're trying to make it equal. We just thought it was fair.

Q Okay. So, you will have to collect what you're not collecting, but it will be collected from what you think is more customers in the wintertime?

A (Gilbertson) No. Next summer.

Q Next summer?

A (Gilbertson) Yes.

Q Okay. Thank you. Can somebody explain why the Company plans to expand the CNG footprint, if it's not the least cost solution for providing service, as we've discussed, you know, it appears that providing CNG is more expensive than propane?

A (Gilbertson) I could -- I don't know if I'll do it justice, but the plan is to move forward with the CNG, and, as a redundancy, we're using LNG. And it is because the propane facilities are extremely old and antiquated. And there's, I think, a lease there that comes up. It's just it makes sense to get away from the propane, for

many reasons. It isn't --
Q Even if it costs a lot more?
A (Gilbertson) Excuse me?
Q Even if it costs a lot more?
A (Gilbertson) I think, for safety purposes, and maybe -- maybe somebody else can jump in here.
A (Simek) I can jump in.
A (Gilbertson) If we got rid of the propane completely, we got rid of the production costs, I don't know that it would cost all that much more. You know, these are -- they're both market-based.
A (Simek) I can add a little to that as well. For now, when we are looking at incremental costs, we're only looking at, obviously, the upcoming six-month period, and we're looking at the prior summer. And this is all based on commodity price fluctuations. And, historically, if we really want to look historically, propane has been much, much, much higher than natural gas. So, I'm not sure, if we're thinking just the most recent fluctuations in commodity prices represent, what necessarily means that it costs more.
Another big point is that a fixed demand charge will eventually be spread out

over more therms. It's not just going to -- I guess I'll just leave it at that, because now I'm talking about the fluctuating commodity pricing.

A (Gilbertson) And if I could just add one other thing. So, the CNG, the plan is eventually to have LNG there as well. And the advantage of the LNG is that we could store it, and we could fill it over the summer. And we could -- and, typically, when you're buying over the summer, it's cheaper than, you know, but you use it to serve your winter load. So, the thought is you would save there. So, we're at such the beginning phase of this, this enhancement.

Q Does the price of -- is the price of CNG and LNG greater than the price of natural gas?

A (Simek) Well, --

A (Gilbertson) It depends. I can't answer that. It depends. Where it's being delivered. It depends. There's no "yes" or "no" here.

Q Okay. Well, and that's probably an issue for your LCIRP, correct?

A (Gilbertson) Definitely.

CMSR. BAILEY: I think that's all I

have. Thank you.

WITNESS SIMEK: Thank you.

CHAIRWOMAN MARTIN: Commissioner Giaimo, did you have something before you start questioning?

CMSR. GIAIMO: I actually have a follow-up to that question.

CHAIRWOMAN MARTIN: Perfect.

CMSR. GIAIMO: So, if I could just jump in, that would be great.

BY CMSR. GIAIMO:

Q So, the question that Commissioner Bailey just asked, is how does the CNG and LNG prices compare --

CMSR. GIAIMO: Sorry. Am I back up with audio and video? Okay.

BY CMSR. GIAIMO:

Q So, Commissioner Bailey just asked "how does prices compare for CNG and LNG, relative to natural gas?" And you said "it depends". But just today, and just the commodity cost, natural gas is lower than CNG and LNG, right?

A (Gilbertson) Well, it depends on where you buy it. I don't know if I'm going to answer this, because I'm not sure I understand the question all that well.

But, if you bought gas, say, at Algonquin city gate or Tennessee Zone 6, it would be much more expensive than buying it, especially on a winter day, than if you bought it somewhere in the Gulf. It's really the price point of where it's delivered to that makes a difference.

And any kind of a CNG or LNG purchase that we'd make, we'd have to have a contract. We'd have to go into an RFP and, obviously, get the best price.

Q Okay. I think my questions will be pretty quick. So, I was wondering how the $81,000, or the 44 percent over-collection, how does that compare with prior -- prior over-/under-collections? Is it consistent or is it an anomaly?

And, if you don't know, you can say "I don't know". Ms. McNamara, I think you're muted.

A (McNamara) Sorry. So, I was just saying that I don't know, I haven't looked back historically at what the over-/under-collections are.

I don't know if Dave might have a recollection of that?

A (Simek) Yes. I don't have that information readily in front of me. We can take a record request and reply with that.

Q I don't think that's necessary. It's a reconcilable rate. So, I was just -- I was just wondering if you knew.

I have a more detailed question about this in a second. But is it fair to say that the fifteen percent COVID-19 reduction in demand is a guess?

A (Gilbertson) It's fair to say, yes.

Q Okay. The summer number is down at 11 and a half percent, given the revision. And I thought I heard is about $22 --

[Court reporter interruption.]

BY CMSR. GIAIMO:

Q I said "$25.63", I think. And, so, we're talking, more or less, over the six-month period, of $4.44 reduction monthly? That sound right?

A (McNamara) Yes.

Q Okay. I'm on I guess it's Exhibit 1 or Exhibit 2, because this is a non-confidential part, I just want to make sure I understand something. So, midway through the page on Bates 008 -- I'll pause so that people can get there. Okay. It says "The Company will purchase 700,000 gallons to maintain a consistent ratio of hedged volumes to expected sales."

I'm just wondering, why is that number still consistent? You know sales are going down. Is it -- maybe you could just help explain that to me. The ratio is the same, so it doesn't matter, but is the 700 the same?

A (Gilbertson) Well, this is -- okay. So, these are summer purchases for the winter plan. We don't necessarily know that volumes are going to go down. We hope, certainly, that we'll be right back where we should be.

Does that make sense?

Q Yes. That's does. Thank you.

A (Gilbertson) Okay.

Q Moving to -- over one more page, and I'm going to be conscientious to this, there's some sensitive information in here. But, at the bottom, starting on Lines 15 to 18, you note that "the off-peak load percentage to total annual load is approximately 20 percent."

So, I'm a little bit curious of the

remaining 80 percent collected during the peak period. Is that a decision of the Company? Can the Company modify that, so that there's not as much price volatility? In other words, collect more demand charges in the summer?

A (Gilbertson) Right. So, we're trying to collect actually less demand charges in the summer, because the throughput isn't very great. And we just want to stabilize the price so that the customers are not shocked by it.

Q Maybe I'm misunderstanding. It sounds like the peak period is when you capture most of the demand charge, correct?

A (Gilbertson) Correct.

Q I guess my question is, could that -- could that be done opposite, in the summertime, and wouldn't that mitigate the price volatility? Because you collect -- the actual bill impact in the winter is significantly higher.

A (Gilbertson) Well, first of all, the prices are probably significantly higher, too. But I think that the -- because these volumes are so low in the summer, if we put -- I don't even know if I should say the words, but you know where I'm coming from. But, if we put that much into demand in the summer, that price would go crazy.

Q All right. Okay. So, it's the sheer volumes that are what is --

A (Gilbertson) Yes.

Q Okay.

A (Gilbertson) That's what's driving it.

Q All right. I'm just clarifying to see if there would be a way to mitigate the price volatility. And it sounds like the way you do it is intentional, and it does help do that?

A (Gilbertson) Yes.

Q Okay. Thank you. All right. I guess my final question, I'll be on Bates 014 of Exhibits 1 and 2. And, on Line 7 and 8, you talk about "these additional reductions were made to defer an over-collection to Summer 2021."

Nothing prohibits you from doing it in the Summer of 2020, right? To me, it seems -- and the reason I bring that up is it seems like, while I understand there's a concern that customers may not be utilizing and taking gas in the summer, it seems like you want to get the money back as quickly as possible to the customers.

So, I understand why you do it your way. But I'm wondering why is that a better way to not giving the money back immediately?

A (Gilbertson) I think, if I'm understanding this correctly, we are going -- we want to give it all back to them. But we've reduced it by the amount of the COVID, only to be fair, because a lot of the customers are shut down. So, they won't be able to get their share. So, -- and the same with the demand charge. We don't want to overcharge the ones that are still open. So, we just reduced those two fixed elements of the pricing to the level that we reduced the volume.

Does that make sense?

Q It does. But, effectively, you are, you know, keeping money an extra twelve months, correct, and then reapplying it in 2021, instead of 2020?

A (Gilbertson) Yes.

A (Simek) That is true. But the money will collect interest as well. So, that's -- we do apply a carrying charge to that. So, it will be accruing.

Q Right. But, again, there's a desire to, you know, at least as I see it, there would be a desire to get the money back to the customers who paid for it as quickly as possible, not to wait twelve months. And I know it's a small amount of money. But that's, you know, my head went that way first. And it also, in my mind's eye, if people move or businesses, at least in the long term -- they may be around in June; they may not be around in June 2021. So, the customers who paid for it aren't necessarily going to be the customers that receive the refund. Nonetheless, it's understandable that it's a small amount.

CMSR. GIAIMO: And thank you for answering my questions. That's all I have, Chairwoman.

CHAIRWOMAN MARTIN: Thank you. And I have no questions that haven't been answered.

Mr. Sheehan, do you have any redirect?

MR. SHEEHAN: Just one question.

REDIRECT EXAMINATION

BY MR. SHEEHAN:

Q There was a conversation about, over the long term, propane costs versus CNG costs, how they may change. And Ms. Gilbertson referenced the

Company's overarching plan to move away from propane completely. And, to state the obvious, at some point, if that happens, there will be no propane production costs. Is that fair?

A (Simek) Yes.

MR. SHEEHAN: That was the only point I wanted to make. I'm all set. Thank you.

[Court reporter interruption to confirm the answer given.]

MR. SHEEHAN: Mr. Simek said "yes."

CHAIRWOMAN MARTIN: Okay. At this point, is there anything else that we need to do before we sum up, other than strike the ID on the exhibits? Anyone?

MR. SHEEHAN: Nothing from the Company.

CHAIRWOMAN MARTIN: And I'm starting to lose video. Commissioner Giaimo, are you?

(Cmsr. Giaimo indicating in the negative.)

CHAIRWOMAN MARTIN: And I lost them all together.

CMSR. GIAIMO: No, not yet.

CHAIRWOMAN MARTIN: Okay. Well, we are done with the witnesses. So, if there's no objection, unless I can't see if people are talking, we'll continue?

[No verbal response.]

CHAIRWOMAN MARTIN: Okay. So, we have Exhibits 1 through 9. We will admit those as full exhibits. And I understand we're holding the record open for the revised filings from Liberty.

And, if that is all the issues that we have, then we will go to summing up, with Mr. Kreis.

MR. KREIS: Thank you. I'm happy to have resumed my customary spot as the lead-off batter when it comes to summing up. I have a very brief summation.

I recommend, on behalf of residential utility customers, that the Commission treat this filing precisely as it treated the Winter Cost of Gas filing that it approved last fall. Which is to say, it should approve the Company's filing, subject to future prudence determinations that they require reconciliation in the future.

That's all I have to say.

CHAIRWOMAN MARTIN: Thank you.

Ms. Schwarzer.

MS. SCHWARZER: Thank you.

Staff has reviewed Liberty's cost of gas filing and the revised filing. The new COVID-19 emergency is still new, and presents a challenge with regard to projected supply volumes and costs. As always, actual gas costs and revenues will be reconciled after the summer period, and that following summer rates adjusted to return, or recover, the difference.

Also, during the summer, monthly rate adjustments will be made to reflect changing market conditions and help this summer's gas costs -- excuse me -- to help ensure this summer's gas costs are recovered from current customers in a direct pass-through of those costs. With the caveat that this summer Liberty will reserve -- I mean, plans to reserve a percentage of demand charges to apply to the 2021 Summer Cost of Gas case.

Based on Staff's review of the filing, the revised filing, and the audit of the 2019 summer reconciliation, Staff believes the proposed blended propane and CNG rate in the revised filing is reasonable, and recommends that the Commission approve those rates, with the understanding that, if the Commission ultimately finds the conversion of the Keene system to natural gas must was imprudent, then the incremental cost of that conversion may be recovered through the cost of gas -- excuse me -- then the incremental cost of that conversion recovered through the COG could be subject to refund. And this position is consistent with Staff testimony in 2019-2020 Liberty-Keene Winter Cost of Gas, and the Commission's Order 26,305.

Finally, COG cases generally move quickly, however, in recent Liberty-Keene cost of gas filings, there have been a number of revisions requiring additional review time. So, therefore, Staff recommends that the Commission direct Liberty to file its future Liberty-Keene cost of gas filings no fewer than 45 days before the effective date of the proposed rate change, or 47 days, if the effective date is a weekend or holiday.

For the upcoming 2020-2021 Winter Cost of Gas, that would be a filing no later than Monday, September 13th, 2021 [*CORRECTION: Monday, September 17, 2020*]. And, for the next 2021 Summer Cost of Gas, that would be a filing no later than Monday, March 15th, 2021, because May 1st is a Saturday.

Thank you.

CHAIRWOMAN MARTIN: Mr. Sheehan.

MR. SHEEHAN: Thank you. This prudence issue has now come up in two cost of gas hearings, and Staff's testimony in the winter has been filed in this docket as well. And there was some discussion during today's hearing about the Company's plans to convert, and why it is prudent. And I understand that the Commission is not making a prudency filing now -- finding now, and there has been some evidence and arguments from Staff.

And I just wanted to very much, at a high level, present some of these factors that are saying to the Company "It's not a choice to convert to natural gas; we have no choice." And that's specifically as follows: The lease for the Keene facility expires in 2026. We cannot pick up that propane-air facility and move it somewhere else. There are three years in the lease that we can extend. But, then, the lease goes from a no-cost lease, you recall the cost of this current lease was prepaid as part of our acquisition agreement, we will then incur a substantial rental fee beginning in year '27. And, even then, the lease only provides for a three-year extension. We would have to be out of the Keene facility in ten years.

There's certainly a chance that we could renegotiate that lease. But, if the -- if we are not converting to natural gas, and the landlord knows that, we would expect the price to go up even further.

Second, as mentioned today, the Keene facility is old, and it functions, but it requires a lot of maintenance, a lot of man time and woman time, and it is quirky, as we all know. And it failed spectacularly in 2015, to much cost of the Company and customers. We've had smaller blips, if you will, pretty much every winter since. It is not a reliable system that we can count on over the long term.

Also, no one makes equipment that burns

propane-air that we produce in that facility anymore. So, when a customer buys a new furnace, it is a natural gas furnace. We go into the customers' homes, and we change the equipment so that it can burn propane-air. By making that change, we voided the warranty that the customer had for that equipment, and it becomes a liability of the Company. So, right now, we are liable, in some way, for the hot water heaters and furnaces in a thousand customers' homes in Keene. That's not a good model. We'd like to get away from it.

Given these factors, and the benefits of natural gas, meaning it would be a modern facility that requires far less labor to run. They are more reliable. We think it's prudent to move in the direction of CNG and LNG.

Granted, we will have times, like today, when the prices are upside-down, and, in fact, CNG is more expensive than propane. But, as Mr. Simek mentioned, over the long term, that's not been the case. And, in any event, cost is always a factor in prudence, it is never the factor. Even if propane were to stay marginally less expensive than gas over the next decade, for the reason I just discussed, moving to natural gas is still the prudent course for the Company.

If we don't move to natural gas, if we just stay where we are now with the temporary -- not the "temporary", the small CNG facilities we have on Production Ave., and we do not continue to move away from propane, effectively, we will have to shut down the Keene franchise, because the propane facility either will be removed because of the leaks or, at some point, will reach its, I'd say, useful life.

So, I just wanted to make sure the Commission does hear that there are very important factors that are motivating our move.

That being said, I do appreciate, despite our disagreement on policy, the work between Staff and the Company in this docket. We responded to two sets of data requests. We had extensive conversations about how to best to handle COVID, which resulted in the filing you see. The issues Mr. Giaimo raised we discussed as well. And, certainly, we could go several different directions on how to modify demand. This is simply the one we felt was the best. Now, we don't know for sure, obviously. And we would ask that the Commission approve the requested rate that is in the filing, I believe found at Bates 026.

As I said earlier, we will submit a new filing, with the corrections we discussed and fixing the confidential issues.

Thank you very much.

CHAIRWOMAN MARTIN: Thank you. Ms. Schwarzer, I apologize. I did not see that you had your hand up. I got a message, because I couldn't see you for a little bit. Did you have something you wanted to add?

MS. SCHWARZER: I did. Thank you. I don't believe prudency has been an issue in this proceeding. And I wanted to specifically note that production costs, either by being in or out of calculations, for cost of gas proceedings, are relevant, because they're part of the calculations that produce the recommended rate. And my questions were aimed at fully understanding calculations that Liberty made, and being able to compare from season to season, and rates that did and did not include production costs for purposes of the comparison.

In addition, the winter cost -- excuse me -- this last summer's cost of gas proceeding, the parties agreed to work together to discuss production costs. And, although we met after the hearing, those discussions were not as productive as they might have been. So, because Liberty recently worked with the costs that were included or excluded, it was appropriate to ask them at this time, and we didn't have a lot of time to look at the revised filing, to further develop some of the data responses.

So, while I appreciate Liberty's closing and raising issues that are important to it, prudency was really not an issue in this cost of gas case, apart from the Staff's wish, consistent with the Winter Cost of Gas order, to make its recommendation provisional in a future prudency filing.

Thank you.

CHAIRWOMAN MARTIN: I think Mr. Kreis mentioned that the prudency determinations were not made. And would either of you like to follow up, after Ms. Schwarzer, really out of fairness, I think I would extend you that offer?

MR. KREIS: I don't disagree with anything I heard Ms. Schwarzer say about prudence.

MR. SHEEHAN: And I agree that prudence isn't an issue here. I was just responding to that fact that it's been raised. There's been a -- I think as Mr. Frink put it in his written testimony, to put us on notice that that will be an issue in the future, and that's fine. And that you've been hearing one fact about price differential, and I wanted to just -- it's important you understand there are other factors out there that will ultimately be determined, I suppose, in a prudence review. And I'm not sure exactly what context that will arise, but certainly not today.

CHAIRWOMAN MARTIN: Okay. Thank you, everyone. I want to thank everyone for their patience. We have fortunately made it through before one o'clock when we will disappear again.

So, we will take the matter under

advisement. And we are adjourned. Thank you.

(Whereupon the hearing was adjourned at 12:44 p.m.)