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

Docket No. DG 14-__

Liberty Utilities (EnergyNorth Natural Gas) Corp.
Summer 2014 Cost of Gas Filing

DIRECT TESTIMONY

OF

MARK G. SAVOIE

March 17, 2014

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1 **I INTRODUCTION**

2 **Q. Mr. Savoie, please state your full name and business address.**

3 A. My name is Mark G. Savoie. My business address is 11 Northeastern Blvd., Salem, New
4 Hampshire 03079.

5
6 **Q. By whom are you employed and in what capacity?**

7 A. I am employed by Liberty Energy Utilities (New Hampshire) Corp. as a Utility Analyst.
8 My primary duties include preparing the gas cost recovery projections for Liberty and
9 related reconciliations, administering the Company's tariff, calculating the achieved rate
10 of return, and appearing as a witness on rate matters.

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

13 A. I received a Bachelor of Science degree in Accounting in 1980 and a Master of Business
14 Administration in 1995, both at Southern New Hampshire University (formerly, New
15 Hampshire College). I have worked for regulated public utilities or a related company
16 for a total of approximately 22 years. From 2006 to 2012, I was employed by
17 Pennichuck Corporation as Manager of Financial Reporting, Business Planning and
18 Analysis. My duties included primarily Securities and Exchange Commission ("SEC")
19 reporting, tax compliance and various treasury functions. From 1985 to 1986, I was the
20 Accounting Manager for Concord Natural Gas, a wholly-owned subsidiary of
21 EnergyNorth, Inc. From 1986 to 2006, I was the Tax/SEC Accountant for EnergyNorth,

1 Inc. My primary duties as Tax/SEC Accountant included SEC reporting and Tax
2 compliance. From 1996 to 2000, I was a Rate Analyst and was subsequently promoted to
3 Manager of Regulatory Affairs for EnergyNorth. My primary duties as Rate Analyst and
4 Manager of Regulatory Affairs included determining and administering rates, including
5 calculating the cost of gas adjustment, analysis of rate of return, working capital
6 calculations, and developing, monitoring and evaluating risk management policies and
7 procedures. I also worked for approximately ten years for various public accounting
8 firms, primarily as an auditor.

9
10 **Q. Do you have any professional licenses?**

11 A. Yes, I am licensed in the State of New Hampshire as a Certified Public Accountant.
12

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

15 A. Yes, I testified in Docket No. DG 13-251, Liberty’s Winter 2013/2014 cost of gas
16 proceeding, Docket No. DG 13-085, Liberty’s 2013 summer cost of gas proceeding and
17 in Docket No. DG 13-149, Liberty’s Cast Iron/Bare Steel Replacement Program. I also
18 testified in a number of regulatory proceedings before the Commission from 1996 to
19 2000 on a variety of matters for EnergyNorth Natural Gas, Inc. The topics of that
20 testimony included numerous cost of gas proceedings, a recovery mechanism for costs

1 related to clean-up of manufactured gas sites (DG 99-060), the hedging program (DR 97-
2 140), the Natural Gas Price Stability Plan (DR 98-029) and a petition for approval of a
3 gas transportation agreement with AES Londonderry (DG 00-145).

4
5 **Q. What is the purpose of your testimony?**

6 A. The purpose of my testimony is to explain the Company's proposed firm sales cost of gas
7 rates for the 2014 Summer ("Off Peak") Period to be effective beginning May 1, 2014.

8
9 **II COST OF GAS FACTOR**

10 **Q. What are the proposed 2014 summer firm sales cost of gas rates?**

11 A. The Company proposes a firm sales cost of gas rate of \$0.5436 per therm for residential
12 customers, \$0.5377 per therm for commercial/industrial low winter use customers and
13 \$0.5456 per therm for commercial/industrial high winter use customers as shown on
14 Proposed Fifteenth Revised Page 87 (See tab "Tariff Sheets").

15
16 **Q. Would you please explain tariff pages Proposed Fourth Revised Page 86 and
17 Proposed Fifteenth Revised Page 87?**

18 A. Proposed Fourth Revised Page 86 and Proposed Fifteenth Revised Page 87 (See tab
19 "Tariff Sheets") contain the calculation of the 2014 Summer Period Cost of Gas Rate and
20 summarize the Company's forecast of firm gas sales, firm gas sendout and gas costs.

1 Proposed Fifteenth Revised Page 87 shows that the 2014 Average Cost of Gas of \$0.5436
2 per therm is derived by adding the Direct Cost of Gas Rate of \$0.5322 per therm to the
3 Indirect Cost of Gas Rate of \$0.0114 per therm. The estimated total Anticipated Direct
4 Cost of gas is \$10,468,295 and the estimated Indirect Cost of Gas is \$224,071. The
5 Direct Cost of Gas Rate and the Indirect Cost of Gas Rates are determined by dividing
6 each of these total cost figures by the projected firm sales volumes of 19,670,156 therms.
7 Proposed Fifteenth Revised Page 87 further shows that the Residential Cost of Gas Rate
8 of \$0.5436 per therm is equal to the Average Cost of Gas for all firm sales customers. It
9 also shows the calculation of the Commercial/Industrial Low Winter Use Cost of Gas
10 Rate of \$0.5377 per therm and the Commercial/Industrial High Winter Use Cost of Gas
11 Rate of \$0.5456 per therm.

12
13 The calculation of the Anticipated Direct Cost of Gas is shown on Proposed Fourth
14 Revised Page 86. To derive the total Anticipated Direct Cost of Gas of \$10,468,295 the
15 Company starts with the Unadjusted Anticipated Cost of Gas of \$11,591,457 and adds
16 the Net Adjustment totaling \$(1,123,162) (an over collection).

1 **Q. What are the components of the Unadjusted Anticipated Cost of Gas?**

2 A. The Unadjusted Anticipated Cost of Gas consists of the following:

3	1. Purchased Gas Demand Costs	\$3,627,974
4	2. Purchased Gas Supply Costs	7,856,640
5	3. Storage Gas Commodity Costs	-
6	4. Produced Gas Cost	204,753
7	5. Hedged Contract Costs/(savings)	<u>(97,909)</u>
8	Total Unadjusted Anticipated Cost of Gas	<u>\$11,591,457</u>

9

10 **Q. What are the components of the adjustments to the cost of gas?**

11 A. The adjustments to gas costs, listed on Proposed Fourth Revised Page 86, are as follows:

12	1. Prior Period (Over)/Under Collection	\$(1,146,406)
13	2. Hedging costs	50,495
14	3. Interest	<u>(27,251)</u>
15	Total Adjustments	<u>\$(1,123,162)</u>

16

17 **Q. Please briefly discuss the status of prices in the gas commodity market that provides**
18 **the basis for your initial cost of gas rate for the Summer Period.**

19 A. As of March 10, 2014, the six-month NYMEX futures price strip for the 2014 summer
20 was \$0.4599 per therm compared to \$0.3587 in the 2013 summer filing. The NYMEX

1 strip for this summer reflects current and projected market conditions in the gas industry
2 nationally. The current Cost of Gas (“COG”) reflects an increase from 2013 primarily
3 resulting from the increase in NYMEX pricing offset by a reduction in hedging costs of
4 approximately \$187,100.

5
6 **Q. How does the proposed average cost of gas rate in this filing compare to the initial**
7 **cost of gas rate approved by the Commission for the 2013 Summer Period?**

8 A. The cost of gas rate proposed in this filing is \$0.1296 per therm lower than the initial rate
9 approved by the Commission for the 2013 Summer Period (\$0.5436 vs. \$0.6732). This
10 decrease is due to: (1) a decrease of \$0.0637 per therm in net gas costs (\$0.0169 per
11 therm decrease in demand costs and \$0.0468 per therm decrease in commodity costs); (2)
12 a decrease of \$0.0059 per therm in indirect gas costs; and (3) a decrease of \$0.0600 per
13 therm primarily due to a prior period over collection of \$1,146,406 that has been included
14 in the 2014 summer cost of gas calculation.

15
16 **Q. What was the actual weighted average firm sales cost of gas rate for the 2013**
17 **Summer Period?**

18 A. The weighted average cost of gas rate for the 2013 Summer Period was approximately
19 \$0.6805 per therm. This was determined by applying the actual monthly cost of gas rates
20 for May 2013 through October 2013 to the monthly therm usage of an average residential

1 heating customer using 147 therms for the six summer period months, for heat, hot water
2 and cooking (see Schedule 8, page 1 of 5, for more details).

3 **III PRIOR PERIOD RECONCILIATION**

4 **Q. Has the Company filed its reconciliation of the Summer 2013 Cost of Gas in Docket**
5 **No. DG 13-085?**

6 A. Yes, the Company filed its reconciliation of the Summer 2013 Cost of Gas on February
7 28, 2014. The Company's "Summer 2013 Cost of Gas Results" is included as Schedule
8 14 of this filing.

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

10 A. Yes, it does. Included as the first page of Schedule 14 is a revised Summary Page 1.
11 Included as the second page of Schedule 14 is a redlined revised Summary Page 1.
12 Changes were made to the figures reported in the "actual" and "change" columns on lines
13 9, 11, 12, 44, 62, 63, 64, 65, 73 and 75 due to cell reference errors in the original filing.
14 The original summary page 1 reported an under collection of gas costs of \$1,154,640.
15 The revised summary page 1 shows an under collection of \$1,146,406, a change of
16 \$8,234.

17 **Q. Please explain the reasons for the prior period over collection of \$1,146,406.**

18 A. Over the 2013 Summer Period, allowable gas costs of \$9,938,596 plus the prior Summer
19 Period under collection of \$54,040 was \$1,146,406 less than the actual Gas Cost Revenue
20 of \$11,139,042. The net result is an ending over collection balance of \$1,146,406 as of

1 November 1, 2013 as shown on the 2013 Summer Period Reconciliation Analysis.
2 Comparing the actual revenues billed and the gas costs incurred to the forecasted
3 amounts that the Company projected in its initial 2013 Summer Period Cost of Gas filing,
4 the over collection of \$1,146,406 is primarily attributable a \$2,056,182 decrease in the
5 actual cost of gas as compared to original projections. In addition, interest on the prior
6 period under collection was \$1,113 lower than forecasted. Offsetting these factors, cost
7 of gas revenue was \$906,152 lower than forecasted due to lower sales, the occupant
8 billing adjustment (as provided for in the settlement approved in Docket No. DG 07-129
9 and as discussed below) was \$3,008 lower than forecasted, a prior period balance higher
10 than forecasted by \$1,399 and overhead cost was \$330 higher than forecasted.

11
12 **IV CUSTOMER BILL IMPACTS**

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

15 **A.** The bill impact analysis is presented as Schedule 8 of this filing. The total bill impact for
16 an average residential heating customer is a decrease of approximately \$19, or 7.9% as
17 compared to the average COG and LDAC for 2013 Off Peak season. The total bill
18 impact for an average commercial/industrial G-41 customer is a decrease of
19 approximately \$30, or 6.2% as compared to the average COG and LDAC for 2013 Off
20 Peak season. Schedule 8 of this filing provides more detail of the impact of the proposed

1 rate adjustments on heating customers.

2

3 **V OTHER ISSUES**

4 **Q. What are Occupant Accounts and has the Company included in this filing actual**
5 **historical Occupant Account data as specified in Section E.3 of the Occupant**
6 **Settlement approved in Docket No. DG 07-129?**

7 A. Occupant Accounts are accounts established by the Company for premises where the last
8 identified customer has requested termination of service, a final meter reading has
9 occurred and gas usage exceeds 13 ccf since that final meter reading without a new
10 customer having applied for service. The cost of gas supplied to Occupant Accounts is
11 recovered through the COG subject to certain limitations specified in the Settlement. The
12 Company has provided historical data for Occupant Accounts for the period November
13 2012 through August 2013 that details the number of open and closed Occupant
14 Accounts along with detailed monthly arrearage information as schedule 15 in this filing.
15 The Company is in the process of extracting certain Occupant Account data for
16 September and October 2013 from its billing system and will make that data available to
17 the Commission at a later date.

18

1 **Q. Has the Company made any revisions to the way it estimated Company Use**
2 **volumes?**

3 A. Yes, the Company discovered that a meter located in Tilton had been erroneously
4 included in the Company Use calculation in the past. This filing reflects estimated
5 Company Use volumes that exclude that meter. The result of excluding that meter from
6 Company Use has increased the Unaccounted For Gas (“UFG”) Percentage to 1.16%, up
7 from the UFG percentage figure reported in schedule 25 of the 2013 - 2014 Winter Cost
8 of Gas filing of 0.5%.

9

10 **VI LOCAL DISTRIBUTION ADJUSTMENT CHARGE**

11 **Q. Is the Company proposing any changes to the Local Distribution Adjustment**
12 **Charge in this filing?**

13 A. The Company is not proposing any changes to the LDAC in this filing. The LDAC is
14 adjusted as part of the winter period cost of gas proceeding.

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

16 A. Yes, it does.