

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

April 25, 2017 - 10:03 a.m.
Concord, New Hampshire

1 MAY '17 AM 10:49

RE: DG 17-047
LIBERTY UTILITIES (ENERGYNORTH
NATURAL GAS) CORP. d/b/a
LIBERTY UTILITIES - KEENE DIVISION:
2017 Summer Cost of Gas.

PRESENT: Chairman Martin P. Honigberg, Presiding
Commissioner Robert R. Scott
Commissioner Kathryn M. Bailey

Sandy Deno, Clerk

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

Reptg. PUC Staff:
Paul B. Dexter, Esq.
Stephen Frink, Asst. Dir./Gas & Water
Al-Azad Iqbal, Gas & Water Division

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

**CERTIFIED
ORIGINAL TRANSCRIPT**

I N D E X**PAGE NO.**

WITNESS PANEL: DAVID B. SIMEK
DEBORAH GILBERTSON

Direct examination by Mr. Sheehan	6
Cross-examination by Mr. Dexter	10
Interrogatories by Cmsr. Scott	35, 45
Interrogatories by Cmsr. Bailey	39
Interrogatories by Chairman Honigberg	44, 46

* * *

CLOSING STATEMENTS BY:

Mr. Dexter	48
Mr. Sheehan	49

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 2017 Summer Cost of Gas, including the Direct Testimony of Deborah Gilbertson and David B. Simek, a TOC, Tariff Page, and Schedules and Appendices (04-11-17)	5
---	---	---

P R O C E E D I N G

CHAIRMAN HONIGBERG: Good morning, everyone. We're here in Docket DG 17-047, which is Liberty Utilities' Keene Division Summer Cost of Gas matter. We're here for a hearing on the merits of that filing.

Before we do anything else, let's take appearances.

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

MR. DEXTER: Paul Dexter, on behalf of the Commission Staff. And joining me today are Iqbal Al-Azad and Steve Frink, from the Gas and Water Division.

CHAIRMAN HONIGBERG: I see witnesses are already in place. Are there any preliminary matters we need to deal with?

MR. SHEEHAN: Just the marking of an exhibit. The parties have agreed to mark as "Exhibit 1" the revised filing of April 13, '17, which is Tab 6 in Docketbook. And, for the Commission's benefit, it is the exact same thing as the original filing, less production

1 costs, which was the matter we addressed a
2 couple weeks ago in the leftover from the
3 winter cost of gas proceeding.

4 CHAIRMAN HONIGBERG: Just to be
5 clear, so that we're all looking at the same
6 thing, it's dated April 11th.

7 MR. SHEEHAN: Okay. It got filed the
8 13th, that's what I was looking at. Yes.

9 Other than that, I have no other
10 pre-hearing issues.

11 CHAIRMAN HONIGBERG: And I take it
12 that everybody is going to stipulate that
13 that's a full exhibit in this proceeding, so we
14 can dispense with the "for identification" and
15 then strike the ID at the end?

16 MR. DEXTER: So stipulated.

17 CHAIRMAN HONIGBERG: All right. So,
18 that is a full exhibit.

19 (The document, as described, was
20 herewith marked as **Exhibit 1** and
21 entered as a full exhibit.)

22 CHAIRMAN HONIGBERG: And, if there's
23 nothing else, we can have the witnesses sworn
24 in. Mr. Patnaude.

[WITNESS PANEL: Simek ~ Gilbertson]

1 (Whereupon **David B. Simek** and
2 **Deborah Gilbertson** were duly
3 sworn by the Court Reporter.)

4 CHAIRMAN HONIGBERG: Yes, off the
5 record.

6 *[Brief off-the-record discussion*
7 *ensued.]*

8 CHAIRMAN HONIGBERG: All right.
9 Mr. Sheehan, you may proceed.

10 MR. SHEEHAN: Thank you.

11 **DAVID B. SIMEK, SWORN**

12 **DEBORAH GILBERTSON, SWORN**

13 **DIRECT EXAMINATION**

14 BY MR. SHEEHAN:

15 Q. Mr. Simek, your name and position with the
16 Company please.

17 A. (Simek) David B. Simek. And I'm a Lead Utility
18 Analyst.

19 Q. And did you prepare testimony in this matter,
20 along with Ms. Gilbertson?

21 A. (Simek) Yes.

22 Q. And is that testimony part of the package that
23 we just marked as "Exhibit 1"?

24 A. (Simek) Yes.

{DG 17-047} {04-25-17}

[WITNESS PANEL: Simek ~ Gilbertson]

1 Q. And, if I were to ask you the questions today
2 that are in those written questions, would your
3 answers be the same?

4 A. (Simek) Yes, with one correction.

5 Q. And what would that correction be?

6 A. (Simek) On Bates Page 005, Line 9, the
7 "280,844", that's a typo. It should be
8 "208,844". And all the schedules do reflect
9 the correct amount of 208,844. It's just a
10 typo on this one page.

11 Q. With that correction, is your written testimony
12 accurate and do you adopt it here this morning?

13 A. (Simek) Yes.

14 Q. Ms. Gilbertson, the same question, your name
15 and position with the Company please.

16 A. (Gilbertson) Deborah Gilbertson.

17 Q. Really close.

18 A. (Gilbertson) Deborah Gilbertson, Senior
19 Manager, Energy Procurement.

20 Q. And did you also prepare, with Mr. Simek, the
21 testimony that's before us and as marked as
22 "Exhibit 1"?

23 A. (Gilbertson) Yes.

24 Q. And, if I were to ask you the questions that

{DG 17-047} {04-25-17}

[WITNESS PANEL: Simek ~ Gilbertson]

1 you answered in that testimony, would your
2 answers be the same today?

3 A. (Gilbertson) Yes.

4 Q. And do you this morning adopt your testimony?

5 A. (Gilbertson) Yes.

6 Q. And is this your first time testifying in front
7 of the Commission?

8 A. (Gilbertson) Yes.

9 Q. Welcome. Mr. Simek, there was one issue that
10 we discussed before the hearing that we thought
11 should be addressed up front, is that correct?

12 A. (Simek) Yes.

13 Q. And if you could just describe what that issue
14 is?

15 A. (Simek) Sure. The Audit Staff is still
16 working, they had just filed the Final Audit of
17 this, the Keene Summer 2016 costs. And, while
18 they submitted that to the Company yesterday,
19 it's still in process. We're still reviewing
20 their findings. But they did find that 30,000
21 of production costs, approximately 30,000,
22 should have been removed and not included in
23 this rate. And, again, we have until Friday to
24 still review this and get back to the Audit

{DG 17-047} {04-25-17}

1 Staff. But I just wanted to point that out,
2 that that is outstanding right now.

3 Q. Mr. Simek, as I said at the intro, this Exhibit
4 1 is the same as the original filing, less
5 production costs?

6 A. (Simek) Correct.

7 Q. And what you're describing is there was another
8 30,000 of production costs that we neglected to
9 remove?

10 A. (Simek) Yes. They were miscoded and they were
11 missed in the removal, if the findings reveal
12 that.

13 Q. And, as you say, the Company has a chance to
14 make sure that's correct. If it were correct,
15 how much of an impact on the rates would that
16 have?

17 A. (Simek) Approximately a 9-cent reduction.

18 Q. And how would the Company implement that
19 reduction, again, assuming the we ultimately
20 come to the same conclusion as Audit Staff?

21 A. (Simek) We would move forward with the June
22 monthly adjustment of the rate, as we typically
23 do. We would have an accounting adjustment
24 made. And, then, we would take into all

[WITNESS PANEL: Simek ~ Gilbertson]

1 account the best information that we had for
2 June, including this adjustment, and then
3 adjust the rates appropriately.

4 MR. SHEEHAN: Thank you. I have no
5 further questions.

6 CHAIRMAN HONIGBERG: Just before we
7 leave Mr. Simek and his prefiled testimony, Mr.
8 Simek, would you look at Page 5, Line 16. And
9 would you agree that the "3,3368" has an extra
10 3 in there? It's compared to the same number
11 on Line 10?

12 WITNESS SIMEK: Yes, it does.

13 CHAIRMAN HONIGBERG: All right. Mr.
14 Dexter, you may proceed.

15 MR. DEXTER: Thank you.

16 **CROSS-EXAMINATION**

17 BY MR. DEXTER:

18 Q. My first question is whether or not the
19 proposed rates are proposed for effect on a
20 bills-rendered or a service-rendered basis?

21 A. (Simek) Those rates -- the rates are proposed
22 under a service -- I'm sorry, a bills-rendered
23 basis.

24 CHAIRMAN HONIGBERG: Off the record

1 for just a second.

2 [Brief off-the-record discussion
3 ensued.]

4 BY MR. DEXTER:

5 Q. Is a bills-rendered basis consistent with how
6 these rates have been implemented in the
7 past --

8 A. (Simek) Yes.

9 Q. -- cost of gas filings?

10 A. (Simek) Yes.

11 Q. So, I want to direct your attention to Bates
12 012 please. And can you point out where the
13 proposed rate is on this schedule?

14 A. (Simek) The proposed rates, the cost of gas
15 rate beginning period per therm of 0.6281 per
16 therm.

17 Q. Okay. So, basically, 63 cents a therm,
18 rounding?

19 A. (Simek) Correct.

20 Q. Okay. And is that proposed for all rate
21 classes for all months in this period?

22 A. (Simek) Yes.

23 Q. I'd like to move to the impact of the proposed
24 rate. And, to do that, I'd like to direct your

1 attention to Bates 023. And can you point out
2 where on Bates 023 the impact of the proposed
3 rate is shown?

4 A. (Simek) For the impact on Bates Page 023, we'd
5 be looking at Column (14), and it would be Row
6 33, where the impact is a 52.2 percent
7 increase, taking into account the full period
8 of 2016, compared to the beginning rate for May
9 2017.

10 Q. So, if I understand what you're saying, the
11 cost of gas proposed for the Summer of 2017 is
12 going to be 52 percent higher than the cost of
13 gas that was in effect for 2016, is that
14 correct?

15 A. (Simek) Yes.

16 Q. And is it true that, on a total bill basis, if
17 I jump down to Line 38, that, on a total bill
18 basis, the impact is an 11.3 percent increase?

19 A. (Simek) Yes.

20 Q. Okay. Could you describe for us in a broad way
21 what makes up these increases?

22 A. (Simek) Sure. The largest driver of the rate,
23 in general, is the NYMEX future prices, and
24 also the beginning over or under balance from

[WITNESS PANEL: Simek ~ Gilbertson]

1 the reconciliation of the prior period.

2 Q. So, could you provide more detail about the
3 change in the NYMEX prices?

4 A. (Simek) Sure. We look at the future market,
5 based on the date -- around the date that we do
6 the filing, and we look at the future of what
7 the NYMEX is for the Mont Belvieu propane rate
8 for these months in particular. And --

9 A. (Gilbertson) I can explain a little bit about
10 that. So, if you turn to Schedule C, it
11 identifies how the cost -- how the cost is
12 prepared. This schedule is a cost analysis.
13 And what we do is, in Energy Procurement, is we
14 reach out to the vendors and we get a proposed
15 summer price for all the months in the period.
16 And what we do is we take that price, if you
17 look at Line 8 -- Column (8), that's the --
18 that's the proposed price from the suppliers.
19 And what we do is we do a cost analysis on that
20 price per gallon to make sure it seems
21 reasonable. And what we do is we first look at
22 the Mont Belvieu prices on that same day that
23 we get those quotes. And, so, that's a known
24 value. That's an index price. And, from

{DG 17-047} {04-25-17}

[WITNESS PANEL: Simek ~ Gilbertson]

1 there, we fill in pretty much the rest of this
2 analysis. We know there's going to be a broker
3 fee of approximately a penny. There's a PERC
4 fee --

5 *[Court reporter interruption.]*

6 **CONTINUED BY THE WITNESS:**

7 A. (Gilbertson) There's a PERC fee. That's a
8 standard fee. We know the cost of the
9 trucking. And what we were trying to do is
10 we're trying to figure a delivered cost at
11 Selkirk. And, in order to achieve that and get
12 to the price in Column (8), we have to figure
13 out what the supplier charges are going to be,
14 and that's in Column (5). So, Column (7), we
15 know the trucking rate.

16 So, the conclusion is that Column (8) is
17 really the price that the vendors are going to
18 provide summer strip gas at these rates on that
19 day.

20 BY MR. DEXTER:

21 Q. Okay. And I was going to get into this
22 schedule in a little bit more detail further
23 on, but we'll do it now. I think you said that
24 Column (1) is a "known amount"?

1 A. (Gilbertson) Yes.

2 Q. Could you explain that?

3 A. (Gilbertson) Well, that's an index price. It's
4 taken from the CME Group. It's an index, an
5 index price.

6 Q. Okay. So, what does that mean, versus your
7 statement that it's a "known amount"?

8 A. (Gilbertson) Well, because we can go straight
9 out to the website and we can pull it, the
10 daily spot price, from the publication.

11 Q. But it's a forecasted amount, is that correct?

12 A. (Gilbertson) Yes. It's a forward price.

13 Q. Okay. And I didn't understand your explanation
14 of what Column (5), "Supplier Charge", "12
15 cents". Could you explain that please.

16 A. (Gilbertson) The supplier charge would be any
17 embedded pipeline charges associated with
18 delivering the propane from Mont Belvieu to
19 Selkirk, and any margin that the supplier is
20 going to have on there.

21 Q. How is that different from Column (3), which is
22 titled "Pipeline Rate"?

23 A. (Gilbertson) Well, in the summer -- in the
24 summer, we embed all the pipeline rates into

[WITNESS PANEL: Simek ~ Gilbertson]

1 the supplier charge. They have costs to move
2 the propane, and they assume that it's a lesser
3 cost than if it was a winter period.

4 Q. So, the Footnote Number 2 that says it's
5 "embedded in the delivered price", in this
6 instance, the "delivered price" means Column
7 (5), not Column (1)?

8 A. (Gilbertson) Well, the delivered price is
9 Column (6), but it's got the supplier charges
10 in there from Column (5).

11 Q. Okay. And where is Mont Belvieu?

12 A. (Gilbertson) Texas.

13 Q. And where is Selkirk?

14 A. (Gilbertson) New York.

15 Q. Okay. So, if I understand this schedule then,
16 it costs about 12 cents to get these volumes
17 from Texas to New York per volume?

18 A. (Gilbertson) Correct.

19 Q. And what's the unit on this schedule?

20 A. (Gilbertson) Gallons. But we do convert it to
21 therms in Column (9).

22 Q. Right. Okay. So, roughly 12 cents a gallon to
23 move the propane from Texas to New York?

24 A. (Gilbertson) Correct.

{DG 17-047} {04-25-17}

[WITNESS PANEL: Simek ~ Gilbertson]

1 Q. And, then, Column (7) is trucking from where to
2 Keene?

3 A. (Gilbertson) From New York to Keene.

4 Q. And that's another 6 cents?

5 A. (Gilbertson) Correct.

6 Q. Okay. And, so, I think we started by asking,
7 when Mr. Simek referred to the NYMEX prices
8 going up, is it -- is it the conclusion then
9 that that's Column (1), is higher this year
10 than it was last year?

11 A. (Gilbertson) Yes.

12 Q. And do you know percentagewise roughly how much
13 higher?

14 A. (Gilbertson) I don't have that schedule. I
15 don't know.

16 Q. Okay. So, the second element of the price
17 increase that Mr. Simek mentioned is the over
18 or under collection -- the "over collection", I
19 guess is what he said. And is it correct that
20 that is set forth on Schedule -- Bates 012?

21 A. (Simek) Yes.

22 Q. Now, I'm curious about the terminology on Bates
23 012, where there's a figure of "\$99,751", and
24 its labeled "Prior Period Deficiency

{DG 17-047} {04-25-17}

1 Uncollected". Could you explain what that
2 means?

3 A. (Simek) Yes. That should be referenced as an
4 "over collection".

5 Q. So, the title would change or --

6 A. (Simek) Correct.

7 Q. Or would it move down? Because the next line
8 says "Prior Period Excess Collected", which to
9 me sounds like an over collection.

10 A. (Simek) Yes. Both of those lines, the "99,751"
11 and the "3,368" would be moved down to the
12 "Deduct" section. They both are over
13 collections that are reducing the total costs.
14 And this was solely related to the removal of
15 the production costs.

16 Q. Okay. And, if you move them down, then you'd
17 have to change the parentheses, is that right,
18 mathematically, or --

19 A. (Simek) I'd have to look at the formulas. But,
20 regardless, it is lowering the cost correctly
21 from the 311,963, reducing the 103,119 to get
22 to the total cost of "208,844".

23 Q. Okay. And the rate proposed then is simply the
24 fraction, the 208,000 of sendout, divided by

[WITNESS PANEL: Simek ~ Gilbertson]

1 the 332,000 therms of sales, is that right?

2 A. (Simek) Correct.

3 Q. So, it's a dollar per therm rate, as we

4 established?

5 A. (Simek) The rate is actually the 63 cents.

6 Q. Right.

7 A. (Simek) And that, again, came about by taking

8 the 208,844 and dividing it by the projected

9 sales of 332,494.

10 Q. Right. And the 208,000 is in dollars?

11 A. (Simek) Correct.

12 Q. And the 332,000 is in what unit?

13 A. (Simek) Therms.

14 Q. Therms. Okay. And what's the rate down below,

15 the "7851" -- "0.7851"?

16 A. (Simek) That's the maximum a monthly adjustment

17 could be made. It's the 25 percent increase of

18 the 63 cents.

19 Q. And there's a mechanism that allows you to

20 increase the rate up to 25 percent, is that

21 correct?

22 A. (Simek) Correct.

23 Q. Okay. So, again, ignoring the over/under

24 collected for a minute, I want to go back to

{DG 17-047} {04-25-17}

[WITNESS PANEL: Simek ~ Gilbertson]

1 the two base numbers that make up the proposed
2 rate. And let's talk first about the costs,
3 which, if you ignore the over/under collected,
4 are \$311,000 rounded, is that correct?

5 A. (Simek) Yes.

6 Q. Now, where would I find the detail for that
7 number?

8 A. (Simek) That's on Schedule B, which is Bates
9 Page 015.

10 Q. Right. And I see that there on Line 7?

11 A. (Simek) Yes.

12 Q. Okay. Now that is derived from Lines 5 and 6,
13 is that right?

14 A. (Simek) Correct.

15 Q. Okay. And where do the cost rates that are
16 used in this derivation come from?

17 A. (Gilbertson) Schedule D.

18 *[Court reporter interruption.]*

19 **BY THE WITNESS:**

20 A. (Gilbertson) I believe that's Schedule D.

21 A. (Simek) Yes. The costs come from Schedule D,
22 on Bates Page 017. On Line 37, that's where
23 you can see the "311,963".

24 BY MR. DEXTER:

{DG 17-047} {04-25-17}

[WITNESS PANEL: Simek ~ Gilbertson]

1 Q. Right. And those are forecasted rates that are
2 consistent with what's set forth on Schedule C
3 that we were just talking about, correct?

4 A. (Simek) Correct.

5 Q. Okay. And back on Bates 015, so that's where
6 the costs come from. Now, there's a sendout
7 figure of "360,928". Where does that come
8 from?

9 A. (Simek) Just bear with me for a moment.

10 Q. Sure.

11 A. (Simek) So, Schedule G, which is Bates Page
12 020, shows, on Schedule B, Bates Page 015,
13 Line 1, how the "347,076" total firm sendout is
14 calculated.

15 And, then, from there, on Schedule B, or
16 Bates Page 015, we then had a company use
17 number, which gets added to the total -- to
18 come up with the total sendout of "360,928",
19 and that then carries down to Line 5.

20 Q. Okay. So, it's made up of Line 1, on Bates
21 015, plus company use, and the detail of all
22 that is on Bates 020, if I understand what
23 you're saying?

24 A. (Simek) Correct.

{DG 17-047} {04-25-17}

[WITNESS PANEL: Simek ~ Gilbertson]

1 Q. Okay. So, if we turn to Bates 020, and we go
2 to Column (1), it's titled "Actual Firm
3 Sendout", correct?

4 A. (Gilbertson) Correct.

5 Q. And could you describe what that number is?

6 A. (Gilbertson) That is a calendar month sendout.
7 That's throughput.

8 Q. So, these are actual numbers?

9 A. (Gilbertson) These are actual numbers.

10 Q. Okay. And, then, all of the other columns, up
11 until Column (10), are simply a
12 weather-normalization calculation, is that
13 true?

14 A. (Gilbertson) Correct.

15 Q. Okay. And, once you get the weather-normalized
16 actual sendout, you add to it company use and
17 unaccounted for, correct?

18 A. (Gilbertson) Correct.

19 Q. Okay. Now, how do you measure the company use?
20 Its labeled "Actual" in Column (11)?

21 A. (Simek) Yes, it is. Well, from my perspective,
22 I just receive a report from our Engineering
23 Department that gives me a monthly count of
24 what the actual use -- Company actual use was.

{DG 17-047} {04-25-17}

1 I can't answer the background of how that's
2 calculated.

3 Q. Okay. How about the unaccounted for, in
4 Column (12)? How is that calculated?

5 A. (Simek) That also is calculated in the --
6 that's calculated in the winter cost of gas,
7 and we use the same percentage in the summer
8 cost of gas, which is based on a 12-month
9 actual period. I believe it would have been --
10 it goes from -- I believe from July to June.
11 And it would have been the most -- the best
12 available time frame during the last winter
13 calculation.

14 Q. But you don't know how it's measured? Or, do
15 you know how it's measured, I should ask?

16 A. (Simek) The unaccounted for is truly an
17 accurate -- it's based on the difference
18 between sales and -- actual sales and actual
19 sendout, is how the unaccountable -- is an
20 actual number that's calculated on a 12-month
21 average.

22 Q. Okay. And are you aware of what the rate was
23 in last year's summer CGA for unaccounted?

24 A. (Simek) I'm not, no.

[WITNESS PANEL: Simek ~ Gilbertson]

1 Q. Okay. I checked last year, and I saw that it
2 was "1.6 percent". Well, "1.64 percent".

3 A. (Simek) Okay.

4 Q. Does that sound familiar or --

5 A. (Simek) Possibly.

6 Q. Okay. So, it's more than doubled in this case?

7 A. (Simek) Correct.

8 Q. Could you explain why it would have more than
9 doubled?

10 A. (Simek) Well, again, it is based on actual
11 data. And in the wintertime is when this
12 actually gets calculated, and I believe it's
13 also addressed in testimony. But any time we
14 do a cleanup of the different meters that
15 they're reading or trying to get more accurate
16 information, it could increase or decrease.
17 1.6 is very low. We had some tests, because
18 those did get brought up in last year's winter
19 cost of gas, and we have had tests done and
20 studies that we've read where anything under
21 5 percent is generally considered acceptable.

22 So, although it did maybe double, there
23 has been a lot of cleanup in that area, and
24 maybe it's just more accurate now.

{DG 17-047} {04-25-17}

1 Q. So, "3.7 percent" is not a cause for concern,
2 is that --

3 A. (Simek) Yes.

4 Q. Okay. Okay. Now, having traced the cost
5 number, the 311,000, back to its roots, I want
6 to do the same thing with the sales number.
7 And, again, I'm back on Bates 012, and the two
8 numbers -- the two fractions we were talking
9 about that make up the rate.

10 And the denominator was "332,494" of therm
11 sales. Could you tell me the source of that
12 number please?

13 A. (Simek) Yes. That's on Schedule H, Bates Page
14 021. It's on the bottom of the page there, in
15 the right-hand column, where it says
16 "Normalized".

17 A. (Gilbertson) So, this is similar to the
18 Schedule G, only this is sales. And it --
19 again, it takes the actuals from the Column
20 (1), and it normalizes them so that we can do
21 the forecast.

22 Q. So, similar to Schedule G, which we were just
23 talking about, it's a weather-normalized --
24 it's actuals and then weather-normalized?

1 A. (Gilbertson) Yes.

2 Q. And the difference is that this is sales versus
3 Schedule G, which was sendout?

4 A. (Gilbertson) Correct.

5 Q. And the total number doesn't seem to be that
6 much different to me. They're both, you know,
7 above 300,000. But the monthly numbers seem to
8 jump around quite a bit. If you were to look
9 at that table at the bottom of Bates 021, and
10 compare that to Column G, on Bates 020, on a
11 monthly numbers -- on a monthly basis, the
12 numbers seem to go up and down. There seem to
13 be significant differences. Could you explain
14 that?

15 A. (Gilbertson) Yes. In Schedule G, it's calendar
16 months. It's calendar month sendout. But, in
17 Schedule H, it's billed sales. So, it's cycle
18 metered billed sales. So, percentages of the
19 volume are in the previous month, because it's
20 not from the 1st of the month to the 31st. It
21 would be, like, from the 15th of the previous
22 month to the 15th of the prompt month, or
23 whatever period the cycle is read.

24 Q. So, for a summer CGA, is it logical then that

1 the numbers on Bates 021 are lower in total
2 than the numbers on Bates 020? The sales are
3 lower than the sendout in the summer CGA
4 period?

5 A. (Gilbertson) Well, it catches up. I would say
6 that it's not lower. I think you're just --
7 we're looking at two different time periods.

8 Q. Okay. Okay. I wanted to talk a little bit
9 about how actual costs of gas get reconciled in
10 the cost of gas calculation. And is it correct
11 that that reconciliation takes place on Bates
12 018?

13 A. (Simek) Yes.

14 Q. And that's the purpose of -- one of the
15 purposes of the under/over collection is to
16 reconcile to actual costs, is that true?

17 A. (Simek) Correct.

18 Q. So, if last year, if the actual costs for 2016
19 were different from the forecasted costs, where
20 would that -- where would that be displayed on
21 Bates 018?

22 A. (Simek) If I understood your question
23 correctly, are you asking the difference
24 between the 2015 Summer Period to the 2016

1 Summer Period?

2 Q. No. No. What I'm asking is, if there were
3 forecasted costs of the actual product, the
4 propane product, built into 2016's cost of gas
5 rate, and the actual cost of that product
6 differed, let's just say it was higher, where
7 would that reconciliation show up on Bates 018?

8 A. (Simek) Bates 018 takes into account not just
9 the direct propane cost reconciliation, but
10 it's really a reconciliation of the -- whatever
11 hit the account, the account that we have set
12 up for the deferral account. So, this is a
13 reconciliation of the summer cost of gas
14 accounting deferral. So, Line 16 shows that
15 the over collection of 99,751. But, again,
16 that isn't just the direct costs alone. It
17 includes all other accounting entries that were
18 made, and it's all reconciled together.

19 Q. Okay. So, let's go to Line 5, on Bates 018.
20 What is that line?

21 A. (Simek) That is the actual direct propane
22 purchase costs. Basically, the invoiced costs
23 for propane.

24 Q. Okay. And, if these costs were higher or lower

[WITNESS PANEL: Simek ~ Gilbertson]

1 than what was forecasted, it's this inclusion
2 on Line 5 that is the mechanism by which the
3 customers pay the actual costs, is that true?

4 A. (Simek) Correct.

5 Q. Okay. Is there any detail in this filing on
6 the actual costs from 2016 that total \$256,000?

7 A. (Gilbertson) No. I don't think there is.

8 A. (Simek) Yes. Just bear with me for one moment.

9 Q. Sure.

10 A. (Simek) The actual WACOG calculation that gets
11 submitted in this filing is just for a
12 projection. But we do also maintain a WACOG
13 with actuals, and that's where we would come up
14 with the price, cost per therm, which is on
15 Line 4. And, then, we come up with that price
16 and multiply it by the sendout, and that's
17 where the direct propane purchase costs come
18 from on Line 5.

19 Q. Now, you had mentioned at the outset that there
20 was an audit going on conducted by Commission
21 Staff. Is this an actual cost of gas, on
22 Line 5, something that the Audit Staff would
23 look at?

24 A. (Simek) Absolutely.

{DG 17-047} {04-25-17}

1 Q. Okay. And, if there was any differences or
2 discrepancies brought to light by the audit, it
3 potentially could affect Line 5, so that -- is
4 that true?

5 A. (Simek) Absolutely.

6 Q. Okay.

7 A. (Simek) What they're actually auditing is the
8 "99,751" that's on Line 16, which is what is on
9 our books for the summer cost of gas.

10 Q. Okay. Now, the next four lines, well, Line 6,
11 7, 8, and 9, were not included in the 2016
12 Summer Cost of Gas, is that correct?

13 A. (Simek) Yes.

14 Q. Okay. Could you explain what these are? I
15 know there are zeros in Line 6. So, I guess
16 you can skip that one. Could you explain what
17 these costs are in Lines 7, 8, and 9?

18 A. (Simek) Sure. All these are costs that were
19 actually included previously, but the detail
20 wasn't broken out to be more specific. They
21 all would have been included previously in
22 Line 5.

23 So, what we actually have on Line 7, this
24 is some costs that were charged to the cost of

1 gas incorrectly, so they were removed.

2 And, then, on Line 8, we actually have,
3 for the "33,567" for June, that actually is
4 partially made up of an unbilled journal entry.
5 And it's also made up of some propane direct
6 costs that should have probably been sitting in
7 Line 5.

8 And, then, for the "6,617" reversal that's
9 on "July-16", that was a reversal of an accrual
10 that was done in "June-16" on Line 5. Because
11 it was for an invoice, and it was actually a
12 direct charge. And then --

13 Q. I'm sorry. Go ahead.

14 A. (Simek) Oh, I'm sorry. And, then, Line 9,
15 which has to do with unbilled, is -- again,
16 it's just the net difference between accruing
17 for unbilled for the month.

18 Q. So, these are -- Line 9 are accruals for
19 purchases of propane?

20 A. (Simek) Correct.

21 Q. Okay. Line 8, are these the items that are
22 going to be addressed in the Staff audit, when
23 it's finalized?

24 A. (Simek) Partially.

1 Q. Partially.

2 A. (Simek) Within the 33,567, there is 46,000
3 embedded in that number, that is what has been
4 identified by Audit Staff as being production
5 costs that don't belong. Again, that's still
6 under review. But, of that 46,000, and then
7 taking into account the 15,000 on Line 7, which
8 Audit Staff believes may have been
9 double-counted, that net is the 30,000 that was
10 mentioned at the beginning of this hearing
11 regarding Audit Staff's findings.

12 Q. Okay. I wanted to talk for a moment about the
13 Propane Purchase Stabilization Plan, which is
14 at the tail end of your testimony. Can you
15 explain how this plan works?

16 A. (Gilbertson) Yes. What we do is we prepurchase
17 a percentage of the winter demand to fix the
18 price, so that it's not so apt to be subject to
19 the volatilities of the winter.

20 Q. So, it doesn't have any impact on the proposed
21 rate in this case, is that true?

22 A. (Gilbertson) That's true.

23 Q. Okay. What percentage of the -- of the total
24 gas purchases are subject to this Stabilization

1 Plan?

2 A. (Gilbertson) We have -- 65 percent of the
3 demand portfolio is hedged. That also includes
4 not just the Stabilization Plan, it includes
5 the Amherst tank. There's 255,000 gallons in
6 Amherst. That's also purchased prior to the
7 winter period.

8 Q. Is the Amherst tank a source for the Keene
9 Division as well?

10 A. (Gilbertson) Yes.

11 Q. Okay. And I understand that there's a change
12 proposed in the amount of volumes
13 pre-purchased, this case versus last summer.
14 Could you explain that.

15 A. (Gilbertson) In order to be 65 percent hedged,
16 looking at last year's testimony, which is
17 where we wanted to be, we are 65 percent
18 hedged, between the Stabilization Plan and the
19 Amherst tank. So, really, although we've
20 reduced the volume, we're still hedged at the
21 65 percent.

22 Q. And the reduction in volume is the reduction
23 from 750,000 gallons to 500 --

24 A. (Gilbertson) I think it is 725,000.

[WITNESS PANEL: Simek ~ Gilbertson]

1 Q. Well, maybe you can tell me then, what were the
2 gallons that were hedged that were under the
3 Stabilization Plan this year versus last year?

4 A. (Gilbertson) 725,000 last year, 575,000 this
5 year.

6 Q. Okay. So, what made up that difference?

7 A. (Gilbertson) Well, I would say that, in order
8 to be 65 percent hedged exactly, we reduced it
9 to 575,000 gallons. The 725, we were probably
10 hedged a little higher, if you included the
11 Amherst pre-purchased gallons.

12 Q. Okay. In the testimony on Bates Page 009,
13 Lines 3 through 7, there's a preference to an
14 RFP that was done for the Propane Stabilization
15 Plan?

16 A. (Gilbertson) Yes.

17 Q. And could you provide an update for the
18 Commission on that? Have the bids been
19 received? And, if so, can you provide some
20 details on that?

21 A. (Gilbertson) We did send out the RFP, and we
22 did select a winning bidder at the end of
23 March. So, we have a supplier.

24 MR. DEXTER: Staff doesn't have any

{DG 17-047} {04-25-17}

1 further questions.

2 CHAIRMAN HONIGBERG: Commissioner
3 Scott.

4 CMSR. SCOTT: Thank you. And good
5 morning, and welcome. I think this is your
6 first time with us, correct?

7 WITNESS GILBERTSON: Yes. Can you
8 tell?

9 CMSR. SCOTT: You're doing fine.
10 Attorney Dexter was very thorough, so he
11 touched upon pretty much every question I had.

12 BY CMSR. SCOTT:

13 Q. But I'll start with, while I understand the
14 pricing follows NYMEX, which is important for
15 us, to make sure it's a competitive price,
16 probably for Mr. Simek, but whoever feels more
17 comfortable, I was just curious more globally
18 why -- do you have an opinion on NYMEX prices
19 are higher? Is it the -- you know, propane
20 tracks LNG and CNG, and they're higher, or -- I
21 was just curious if you had any opinion on
22 that, why that may be happening?

23 A. (Gilbertson) It's a market price. I really
24 don't know.

1 Q. That's fair.

2 A. (Simek) Yes. Ms. Gilbertson would be the
3 better one to respond.

4 Q. Okay.

5 A. (Gilbertson) Not very well, though.

6 Q. All right. You were just talking about your
7 Fixed Price Offering or your Purchasing
8 Stabilization Plan. I was curious, obviously,
9 you had the detail in here that it's, I think,
10 17 -- where am I? Rough, 17 percent lower, you
11 know, from actuals, if I read Bates 008 correct
12 on the bottom. So, it seemed like your Fixed
13 Price Offering was a good move for those who
14 used it this last cycle, is that -- am I
15 reading that correctly?

16 A. (Gilbertson) Yes. If we look at spot prices,
17 if we had purchased spot, as opposed to
18 purchasing in the summer period, the
19 Stabilization Plan, we would have paid
20 17.8 percent more for those gallons.

21 Q. So, in the context, I was just curious, so, you
22 know, I talk about from the customer's point of
23 view, so, I can buy into that, so I can lock in
24 my price, correct? That's the point of this or

1 am I missing that?

2 A. (Simek) No. The Fixed Price Option is just
3 based on a 2-cent premium from the beginning
4 winter period. So, we calculate, just like we
5 would for a Non-FPO customer and come up with
6 the beginning November rate, and then we add 2
7 cents to that rate for the Fixed Price Option.

8 How that initial rate was calculated for
9 the Non-FPO customer, that's based on basically
10 65 percent of the propane being locked in, and
11 then the remainder being on the spot market.

12 Q. Okay. So, correct me if I'm wrong, so, when
13 you talk, on Bates 008, in the bottom, about
14 your Price Stabilization Plan, you're talking
15 holistically, including locking in some and
16 your storage then? Do I understand that right?

17 A. (Gilbertson) Well, for the --

18 Q. Or your 65 percent --

19 A. (Gilbertson) -- the 17 percent is really just
20 the -- it doesn't include the Amherst. It's
21 just the Stabilization Plan versus spot
22 purchase.

23 Q. Okay.

24 A. (Gilbertson) Yes. It's not including the

[WITNESS PANEL: Simek ~ Gilbertson]

1 Amherst.

2 Q. Okay. I think I'm understanding better. Thank
3 you. I was curious, I know we have a different
4 docket on this, on Bates 009, you mention this
5 desire for a CNG conversion, correct?

6 A. (Gilbertson) Yes.

7 Q. So, I was just curious, and again, we do have a
8 filing on that, I understand, but where does
9 that currently stand with you all?

10 A. (Gilbertson) According to our Engineering
11 Group, there's a plaza that will be ready, I
12 think it's Monadnock Plaza, that will be ready
13 in November to use CNG. So, for the winter
14 period.

15 Q. And who are you using to transport the CNG?

16 A. (Gilbertson) We have a vendor --

17 WITNESS GILBERTSON: Can I say who
18 that is? Is that -- that's not protected
19 information --

20 CMSR. SCOTT: I would ask you that, I
21 guess.

22 CHAIRMAN HONIGBERG: Mr. Sheehan.

23 MR. SHEEHAN: I don't believe the
24 vendor is. I believe the price may be, but the

{DG 17-047} {04-25-17}

1 vendor --

2 **BY THE WITNESS:**

3 A. (Gilbertson) Okay. It's XNG.

4 BY CMSR. SCOTT:

5 Q. And is the proposal, what you're looking right
6 now is a company that -- the facility to where
7 they park the trucks and all that would be --
8 the vendor is providing that or would the
9 utility provide that?

10 A. (Gilbertson) The vendor would provide that.

11 Q. Okay. So, in effect, from your point of view,
12 it would kind of like be a new cost of gas, is
13 that --

14 A. (Gilbertson) It's a new -- it's a new type of
15 gas, yes.

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

18 CHAIRMAN HONIGBERG: Commissioner
19 Bailey.

20 CMSR. BAILEY: I'll start with a
21 follow-up on that.

22 BY CMSR. BAILEY:

23 Q. So, is that part of the reason that the
24 Stabilization Plan pre-purchased amount was

[WITNESS PANEL: Simek ~ Gilbertson]

1 reduced, because you need less propane?

2 A. (Gilbertson) Not really. We reduced the spots.
3 Again, last year it was -- I think 725,000.

4 Q. Yes.

5 A. (Gilbertson) 725,000 gallons. I also noted
6 last year in the testimony that we wanted to be
7 65 percent hedged. With the Amherst and the
8 575,000 gallons, that's 65 percent.

9 Q. So, I don't understand what you mean, I think,
10 by "with the Amherst"?

11 A. (Gilbertson) Amherst is 255,000 gallons, the
12 Stabilization Plan is 575,000 gallons. The
13 projected -- so, that's 65 percent of the
14 projected demand for the winter period, --

15 Q. So, has the projected --

16 A. (Gilbertson) -- and 35 percent unhedged.

17 Q. Has the projected demand for this -- for next
18 winter gone down by that amount?

19 A. (Gilbertson) No. I think we were maybe a
20 little higher hedged last year.

21 Q. Okay. On the total bill impact that you
22 discussed a little bit with Mr. Dexter, this
23 "\$34.26", is that for the entire six-month
24 period? That's Bates Page 007. Well, and

{DG 17-047} {04-25-17}

[WITNESS PANEL: Simek ~ Gilbertson]

1 there was a schedule that you looked at with
2 him.

3 A. (Simek) I'm sorry. What was the Bates page?

4 Q. Well, in the testimony, it's on Page 007.

5 A. (Simek) Oh. Okay.

6 Q. But you looked at a schedule with Mr. Dexter.

7 MR. DEXTER: It was Bates Page 023
8 that I was referring to.

9 CMSR. BAILEY: Thank you.

10 BY CMSR. BAILEY:

11 Q. Yes.

12 A. (Simek) Yes.

13 Q. Bates Page 023, Line 35.

14 A. (Simek) Yes. That would be \$34.26, which
15 includes for the full six-month period.

16 Q. So, it's not per month?

17 A. (Simek) Correct.

18 Q. Okay. Can we go to Bates Page 018? I just
19 want to go through this and see if I understand
20 it correctly. So, your total propane costs are
21 281,000, on Line 10?

22 A. (Simek) Correct.

23 Q. And you collected \$134,645 in revenue?

24 A. (Simek) Correct.

{DG 17-047} {04-25-17}

1 Q. So, you under recovered by 146,455?

2 A. (Simek) Correct.

3 Q. And, then, on Line 16, you have a number
4 "244,121", which was an over collection from
5 what?

6 A. (Simek) The prior summer period, the 2015
7 Summer Period.

8 Q. Okay. And where does that number come from? I
9 mean, do you have that -- a schedule that shows
10 the calculation of that or you just know that
11 you over collected?

12 A. (Simek) Well, yes, we don't include that
13 schedule in here for a schedule. This is a
14 2017 filing. So, we include the prior year
15 reconciliation. So, that schedule would have
16 been included in the 2016 filing for 2015
17 reconciliation. But these get audited --

18 Q. Okay.

19 A. (Simek) -- by a Staff audit.

20 Q. Okay. So, then, the amount of the refund is
21 the difference between the under-collection of
22 146,455 and the over collection of 244, --

23 A. (Simek) Correct.

24 Q. -- plus interest, that you owe customers,

[WITNESS PANEL: Simek ~ Gilbertson]

1 because -- is that interest, the "\$2,085"? Is
2 that the interest on the \$244,000 over
3 collection?

4 A. (Simek) What it is is -- it is. It starts at
5 "244,121", and then it's a monthly interest
6 calculation based on where we stand in that
7 over/under balance each month.

8 Q. Okay. All right. A follow-up on Mr. Dexter's
9 questions. On Bates Page 017, the bottom line,
10 the "Average Summer Rate - Sendout", at
11 "0.8643", 86 cents, basically, is that per
12 therm, at the very bottom of the page?

13 A. (Simek) Yes, it is.

14 Q. Okay. And that's the number that you used to
15 calculate what you thought would be the cost of
16 propane for this period? Times the sendout?

17 A. (Simek) Correct.

18 Q. Okay. But, on Bates Page 016, you calculate
19 what you think the cost per therm is going to
20 be based on the NYMEX futures. And, if I look
21 at each of those months, they're all higher
22 than 86 cents.

23 A. (Simek) I believe a portion of that has to do
24 with this being a weighted average cost of gas,

{DG 17-047} {04-25-17}

[WITNESS PANEL: Simek ~ Gilbertson]

1 where we're taking into account the prices from
2 the Stabilization Plan.

3 Q. But the Stabilization Plan applies to the
4 winter period.

5 A. (Simek) I'm sorry, not the Stabilization Plan.
6 What we have in storage -- it's our whole
7 portfolio weighted average cost of gas.

8 Q. Okay. Okay. So, it's weighted between what
9 you have in storage today that you can use over
10 the summer?

11 A. (Gilbertson) Correct.

12 Q. And the prices that you expect the future to
13 be?

14 A. (Simek) Correct.

15 CMSR. BAILEY: Okay. All right. I
16 think that's all I have. Thank you.

17 WITNESS SIMEK: Thank you.

18 CHAIRMAN HONIGBERG: I want to pick
19 up just where Commissioner Bailey left off, so
20 I understand what happened. And I know
21 Commissioner Scott has a question, I'll get
22 back to, but I want to finish this.

23 BY CHAIRMAN HONIGBERG:

24 Q. Schedule D itself, which was what Commissioner

{DG 17-047} {04-25-17}

[WITNESS PANEL: Simek ~ Gilbertson]

1 Bailey was looking at with you, Bates Page 017,
2 that number at the bottom, the "0.8643", is a
3 calculated number. One of the inputs for each
4 of the months is that NYMEX projected number
5 that you calculated on the previous page. But,
6 since the first input for each month is I think
7 what, Mr. Simek, you were referring to as what
8 you have available and the cost there, this
9 page, this spreadsheet is blending those costs
10 to produce the number at the bottom, correct?

11 A. (Simek) Correct.

12 CHAIRMAN HONIGBERG: All right.
13 Commissioner Scott, you wanted to follow up on
14 something.

15 CMSR. SCOTT: Thank you. Just a
16 quick question.

17 BY CMSR. SCOTT:

18 Q. I was curious where you are on customer
19 migration? Meaning, the customers are pretty
20 much stable or are they going away from, you
21 know, are people leaving and going to oil, or
22 vice versa, or is it pretty stable?

23 A. (Simek) I believe they're stable now. What
24 we're -- part of what we're looking forward for

{DG 17-047} {04-25-17}

[WITNESS PANEL: Simek ~ Gilbertson]

1 the CNG expansion is to add for growth. But I
2 believe, for now, the overall projection is
3 stable.

4 CMSR. SCOTT: Thank you.

5 CHAIRMAN HONIGBERG: I have a few
6 questions.

7 BY CHAIRMAN HONIGBERG:

8 Q. With respect to customer notice of the changes,
9 have you shared with the Consumer Affairs
10 Division the notification that will be provided
11 to consumers?

12 A. (Simek) We have. We've been working with
13 Ms. Noonan. We've had some meetings, we've
14 gone back and forth. Right now, we're -- it's
15 in process. But, yes, it's been communicated.

16 Q. And, from your perspective, is that process
17 working, in terms of communicating and working
18 with the Consumer Affairs Division on consumer
19 notices?

20 A. (Simek) Yes. We just met about two weeks ago,
21 both for the electric and gas side. We're
22 trying to come up with a consistent message for
23 both. And the follow-up after that meeting was
24 that Ms. Noonan gave us some examples of some

{DG 17-047} {04-25-17}

[WITNESS PANEL: Simek ~ Gilbertson]

1 of the other utilities in the state, and we're
2 working on -- it's in process, yes.

3 Q. Mr. Simek, I have a question about something
4 you said about Bates Page 018, Schedule E.
5 Your discussion with Mr. Dexter about Lines 5
6 through 10. Am I correct, based on what you
7 said, I understood you to be saying, that, in a
8 prior year, you essentially only reported the
9 number on Line 10, the numbers on Line 10.
10 This year you derived or calculated Line 10
11 using Lines 5 through 9, is that correct?

12 A. (Simek) Correct, to show more detail.

13 Q. Okay. I think my last area is also with you,
14 Mr. Simek, with respect to Bates Pages 012 and
15 013, which are the tariff pages. It's a place
16 where I think Mr. Dexter and you agreed that
17 there were numbers in the wrong place?

18 A. (Simek) Yes.

19 Q. Those tariff pages will have to be changed
20 before they're filed to reflect the numbers in
21 the correct place, will they not?

22 A. (Simek) Correct.

23 Q. Just in terms of eyeballing the numbers, and
24 the underlying formulas that produced it, I am

{DG 17-047} {04-25-17}

[WITNESS PANEL: Simek ~ Gilbertson]

1 guessing that they're correct, because you
2 added a negative number, and, when you're going
3 to replace it, you're going to subtract a
4 positive number. So, you're going to end up in
5 the same place, correct.

6 A. (Simek) I believe so.

7 Q. All right.

8 A. (Simek) I just need to look at the underlying
9 calculation.

10 Q. Yes.

11 A. (Simek) But the bottom line number is correct.

12 CHAIRMAN HONIGBERG: Yes. I
13 understand that. Thank you. That's all I had.

14 Mr. Sheehan, do you have anything
15 else for your witnesses?

16 MR. SHEEHAN: I do not.

17 CHAIRMAN HONIGBERG: All right. Is
18 there anything else we need to do before we let
19 you sum up?

20 *[No verbal response.]*

21 CHAIRMAN HONIGBERG: I didn't think
22 so. Mr. Dexter, you may proceed.

23 MR. DEXTER: Thank you. Staff
24 recommends approval of the rates as filed, with

{DG 17-047} {04-25-17}

1 the correction that the Chair just talked about
2 to the tariff page, and with the understanding
3 that there is an audit pending on 2016's actual
4 costs, and with the understanding that any of
5 the results of that audit will be reflected in
6 a subsequent monthly adjustment.

7 Thank you.

8 CHAIRMAN HONIGBERG: Mr. Sheehan.

9 MR. SHEEHAN: Thank you. We agree
10 with that approach. That we ask that you
11 approve the rates as filed. To the extent
12 there is a change that comes out of the audit,
13 we will make that in the normal course, along
14 with any other changes that we would make in
15 the normal course.

16 We ask that the Commission approve
17 the rates, to be billed on a bills-rendered
18 basis, which I understand is different from the
19 norm, but it is a norm for Keene that has been
20 requested and approved at every cost of gas
21 hearing for many years.

22 With that, I hope you approve the
23 rates. Thank you.

24 CHAIRMAN HONIGBERG: All right.

1 Thank you all. And welcome, Ms. Gilbertson.

2 MS. GILBERTSON: Thank you.

3 CHAIRMAN HONIGBERG: We will take the
4 matter under advisement and issue an order as
5 quickly as we can.

6 ***(Whereupon the hearing was***
7 ***adjourned at 10:59 a.m.)***