REDACTED

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

Docket No. DG 18-xxx

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities - Keene Division
Summer 2018 Cost of Gas

DIRECT TESTIMONY

OF

DEBORAH GILBERTSON

AND

CATHERINE A. MCNAMARA

March 29, 2018

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I. INTRODUCTION

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

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

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

Q. By whom are you employed?

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

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

A. (DG) I graduated from Bentley College in Waltham, Massachusetts, in 1996 with a Bachelor of Science in Management. In 1997, I was hired by Texas Ohio Gas where I was employed as a Transportation Analyst. In 1999, I joined Reliant Energy as an Operations Analyst. From 2000 to 2003, I was employed by Smart Energy as a Senior Energy Analyst. I joined Keyspan Energy Trading Services in 2004 as a Senior Resource Management Analyst following which I was employed by National Grid from 2008 through 2011 as a Lead Analyst in the Project Management Office. In 2011, I was hired by Liberty as a Natural Gas Scheduler and was promoted to Manager of Retail Choice in

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

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

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

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

(CM) No, I have not previously testified before the Commission.

Q. What is the purpose of your testimony?

A. The purpose of our testimony is to explain the Company's proposed cost of gas rates for its Keene Division for the 2018 Summer ("Off Peak") Period to be effective beginning May 1, 2018.

II. COST OF GAS FACTOR

Q. What is the proposed 2018 summer firm cost of gas rate?

A. The Company proposes a firm cost of gas rate of $0.9995 per therm for the Keene Division as shown on Tenth Revised Page 19.

Q. Would you please explain Tenth Revised Page 19?

A. Tenth Revised Page 19 contains the calculation of the Summer 2018 COG rate and summarizes the Company's forecast of propane sales and propane costs. The total anticipated cost of propane sendout from May 1 through October 31, 2018, is $415,169. To derive the Total Anticipated Cost of $324,336, the prior period over-collection of $87,881 and the interest of $2,952 are subtracted from the anticipated cost of the propane sendout. The Cost of Gas Rate of $0.9995 per therm is derived by dividing the Total Anticipated Cost by the projected firm sales volumes of 324,490 therms.

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

A. The adjustments to gas costs listed on Tenth Revised Page 19 are as follows:

1.	Prior Period (Over)/Under Collection	$(87,881)
2.	Interest	$(2,952)
Total Adjustments		**$(90,833)**

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

A. In the off-peak period, spot prices are estimated using market quotes from local suppliers. Schedule C serves as a guide to illustrate the components of the quoted price. Column 1 shows the Mont Belvieu propane futures quotations as of March 14, 2018. Subsequent columns show projected broker fees, pipeline fees, Propane Education & Research Council (PERC) fees, supplier charges, and trucking charges, which, when added to the futures price, create the total cost.

Q. How does the proposed average cost of gas rate in this filing compare to the initial cost of gas rate approved by the Commission for the 2017 Summer Period?

A. The cost of gas rate proposed in this filing is $0.3714 per therm higher than the initial rate approved by the Commission for the 2017 Summer Period ($0.6281 vs. $0.9995). This increase is due to higher propane market quotes somewhat offset by a prior period over-collection.

Q. What was the actual weighted average firm sales cost of gas rate for the 2017 Summer Period?

A. The weighted average cost of gas rate for the 2017 Summer Period was approximately $0.6887 per therm. This was determined by applying the actual monthly cost of gas rates for May through October 2017 to the monthly therm usage of an average residential heating customer using 159 therms for the six summer period months (see Schedule I-1 or Schedule I-2, for more details).

III. PRIOR PERIOD RECONCILIATION

Q. Has the Company filed its reconciliation of the Summer 2017 Cost of Gas in Docket No. DG 17-141?

A. Yes. The Company filed its reconciliation of the Summer 2017 Cost of Gas on January 30, 2018.

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

A. Audit Staff identified $155,515 of production costs that were inadvertently included in the Summer 2017 Cost of Gas reconciliation. The Company removed the $155,515 of costs from this filing.

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

A. No. The treatment of production costs is a topic that is currently under discussion in the ongoing EnergyNorth distribution rate case, Docket No. DG 17-048.

IV. CUSTOMER BILL IMPACTS

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

A. The bill impact analysis is presented in Schedules I-1 and I-2 of this filing. The total bill impact for an average residential customer is an increase of approximately $49.42, or 14.3%, as compared to the total bill for the 2017 Off Peak season.

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

A. Once the rates are approved, they will be posted on the Company's website by May 1, 2018. The May bills will include a bill insert informing customers of the new rates and directing them to the website for more information.

V. PROPANE PURCHASING STABILIZATION PLAN

Q. What is the Propane Purchasing Stabilization Plan?

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

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

A. Yes. The Company performed two analyses. In Schedule J-1, the Company evaluated the premium/discount associated with securing the pre-purchased volumes for delivery in the winter of 2017-2018 relative to securing a floating price at Mont Belvieu. The comparison reflects the net premium/discount results of the Company's competitive RFP process. In Schedule J-2, the Company performed a comparison of propane purchase costs under the contract versus representative spot prices had the Company not implemented its price stabilization plan. The analysis shows that the cost of the pre-purchased gallons was 26.5% lower than the average representative spot purchase cost for the first four months of the current winter period, reflecting an increase in spot propane prices.

Q. Has the Company issued a Request for Proposal ("RFP") to potential suppliers for the 2018-2019 Plan?

A. Yes. The Company issued the RFP for the 2018-2019 Plan on March 15, 2018. The RFP process was the same as the process used last summer. The RFP was sent to five potential suppliers. The winning bidder will be notified at the end of March.

Q. Is the Company proposing any changes to the 2018-2019 Plan?

A. No. The Plan structure specified in the RFP, as detailed on Schedule J-3, has not changed from the design that was used for the previous winter. The Company will purchase 575,000 gallons to maintain, approximately, a 63% ratio of hedged volumes to expected sales.

<u>Compressed Natural Gas ("CNG")</u>

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

A. Yes. If approved, the Company plans to utilize CNG to serve a portion of the distribution system starting in late June or early July.

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

A. For the upcoming off-peak period, the projected average cost of propane is [redacted] per therm (Schedule K, Line 39) while the projected average cost of CNG (including the demand charge) is [redacted] per therm (Schedule K, Line 28). CNG is projected to be $0.0977 per therm (or [redacted]) less than the cost of spot propane.

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

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

Q. How will the inclusion of the demand charge affect the overall CNG rate in comparison to the propane spot price?

A. With 20% of the fixed demand charge added to the cost of off-peak CNG, the unit cost increases to [redacted] per therm as compared to spot propane which is projected to be [redacted] per therm. Initially, CNG will be approximately $.0977 less than spot propane, or about [redacted]% lower. However, as more CNG volumes are utilized, the fixed demand charge impact on rates will diminish in a linear fashion.

Q. Does this include your testimony?

A. Yes, it does.

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