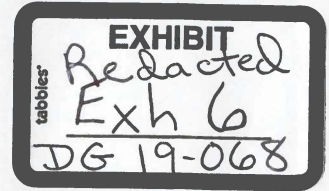




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**STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION**

Docket No. DG 19-068

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities - Keene Division
Summer 2019 Cost of Gas

REVISED DIRECT TESTIMONY

OF

DEBORAH GILBERTSON

AND

CATHERINE MCNAMARA

April 26, 2019

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1 **I. INTRODUCTION**

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

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

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

7 **Q. By whom are you employed?**

8 A. We are employed by Liberty Utilities Service Company (“Liberty”), which provides
9 services to Liberty Utilities (EnergyNorth Natural Gas) Corp. (“EnergyNorth” or “the
10 Company”).

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

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

1 2012. In October 2016, I was promoted to Senior Manager of Energy Procurement. In
2 this capacity, I provide gas procurement services to EnergyNorth.

3 (CM) I graduated from the University of Massachusetts, Boston, in 1993 with a Bachelor
4 of Science in Management with a concentration in Accounting. In November 2017, I
5 joined Liberty as an Analyst in Rates and Regulatory Affairs. Prior to my employment at
6 Liberty, I was employed by Eversource as a Senior Analyst in the Investment Planning
7 group from 2015 to 2017. From 2008 to 2015, I was a Supervisor in the Plant
8 Accounting department. Prior to my position in Plant Accounting, I was a Financial
9 Analyst/General Ledger System Administrator within the Accounting group from 2000 to
10 2008.

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

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

14 (CM) Yes, I have previously testified before the Commission.

15 **Q. What is the purpose of your testimony?**

16 A. The purpose of our testimony is to explain the Company’s proposed cost of gas rates for
17 its Keene Division for the 2019 Summer (“Off Peak”) Period to be effective beginning
18 May 1, 2019.

1 **II. COST OF GAS FACTOR**

2 **Q. What is the proposed 2019 summer firm cost of gas rate?**

3 A. The Company proposes a firm cost of gas rate of \$1.1071 per therm for the Keene
4 Division as shown on Sixth Revised Page 90.

5 **Q. Would you please explain Sixth Revised Page 90?**

6 A. Sixth Revised Page 90 contains the calculation of the Summer 2019 COG rate and
7 summarizes the Company's forecast of propane sales and propane costs. The total
8 anticipated cost of propane sendout from May 1 through October 31, 2019, is \$462,368.
9 To derive the Total Anticipated Cost of \$388,050, the prior period over-collection of
10 \$72,208 and the interest of \$2,110 are subtracted from the anticipated cost of the propane
11 sendout. The Cost of Gas Rate of \$1.1071 per therm is derived by dividing the Total
12 Anticipated Cost by the projected firm sales volumes of 350,507 therms.

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

14 A. The adjustments to gas costs listed on Sixth Revised Page 90 are as follows:

15	1. Prior Period (Over)/Under Collection	(\$72,208)
16	2. Interest	<u>(\$2,110)</u>
17	Total Adjustments	(\$74,318)

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

19 A. In the off-peak period, spot prices are estimated using market quotes from local suppliers.
20 Schedule C serves as a guide to illustrate the components of the quoted price. Column 1

1 shows the Mont Belvieu propane futures quotations as of March 11, 2019. Subsequent
2 columns show projected broker fees, pipeline fees, Propane Education & Research
3 Council (PERC) fees, supplier charges, and trucking charges, which, when added to the
4 futures price, create the total cost.

5 **Q. How does the proposed average cost of gas rate in this filing compare to the initial**
6 **cost of gas rate approved by the Commission for the 2018 Summer Period?**

7 A. The cost of gas rate proposed in this filing is \$0.1076 per therm higher than the initial rate
8 approved by the Commission for the 2018 Summer Period (\$0.9995 vs. \$1.1071).

9 **Q. What was the actual weighted average firm sales cost of gas rate for the 2018**
10 **Summer Period?**

11 A. The weighted average cost of gas rate for the 2018 Summer Period was approximately
12 \$1.0128 per therm. This was determined by applying the actual monthly cost of gas rates
13 for May through October 2018 to the monthly therm usage of an average residential
14 heating customer using 172 therms for the six summer period months (see Schedule I-1
15 or Schedule I-2, for more details).

16 **III. PRIOR PERIOD RECONCILIATION**

17 **Q. Has the Company filed its reconciliation of the Summer 2018 Cost of Gas in Docket**
18 **No. DG 18-052?**

19 A. Yes. The Company filed its reconciliation of the Summer 2018 Cost of Gas on
20 December 24, 2018.

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

2 A. Audit Staff recommended the removal of \$165,972 of production costs that were
3 included in the Summer 2018 Cost of Gas reconciliation. The Company worked with
4 Audit Staff to determine the correct adjustment needed to properly reflect the Summer
5 2018 production costs. For this filing we are including the Audit Staff's recommended
6 amount of production costs from Summer 2018 of \$51,127.

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

8 A. Yes, the Audit Staff's recommended Summer 2018 production costs of \$51,127 was
9 projected at the same level for the Summer 2019 period.

10 **IV. CUSTOMER BILL IMPACTS**

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

13 A. The bill impact analysis is presented in Schedules I-1 and Schedule I-2, of this filing.
14 The total bill impact for an average residential customer, for the off-peak season, is an
15 increase of approximately \$10.81, or 2.9% (see Schedule I-2, column 14, rows 39 and 40,
16 respectively) as compared to the total bill for the 2018 Off-Peak season.

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

18 A. On April 1, 2019 the Company will be posting information regarding this filing on its
19 website. Once the rates are approved, they will be posted on the website by May 1, 2019.

1 The May bills will include on-bill messaging along with a bill insert reminding customers
2 of the new rates, and directing them to the website for more information.

3 **V. PROPANE PURCHASING STABILIZATION PLAN**

4 **Q. What is the Propane Purchasing Stabilization Plan?**

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

10 **Q. Has the Company performed any analysis regarding its Propane Purchasing**
11 **Stabilization Plan (“Plan”)?**

12 A. Yes. The Company performed two analyses. In Schedule J-1, the Company evaluated
13 the premium/discount associated with securing the pre-purchased volumes for delivery in
14 the winter of 2018-2019 relative to securing a floating price at Mont Belvieu. The
15 comparison reflects the net premium/discount results of the Company’s competitive RFP
16 process. In Schedule J-2, the Company performed a comparison of propane purchase
17 costs under the contract versus representative spot prices had the Company not
18 implemented its price stabilization plan. The analysis shows that due to changing market
19 conditions the cost of the pre-purchased gallons was 17.6% higher than the average
20 representative spot purchase cost for the first four months of the current winter period,
21 reflecting a decrease in spot propane prices.

1 **Q. Has the Company issued a Request for Proposal (“RFP”) to potential suppliers for**
2 **the 2019-2020 Plan?**

3 A. Yes. The Company issued the RFP for the 2019-2020 Plan on March 7, 2019. The RFP
4 process was the same as the process used last summer. The RFP was sent to eleven
5 suppliers. The winning bidder will be notified at the end of March 2019.

6 **Q. Is the Company proposing any changes to the 2019-2020 Plan?**

7 A. No. The Plan structure specified in the RFP, as detailed on Schedule J-3, has not
8 changed from the design that was used for the previous winter. The Company will
9 purchase 575,000 gallons to maintain, approximately, a 61% ratio of hedged volumes to
10 expected sales.

11 **VI. Compressed Natural Gas (“CNG”)**

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

13 A. Yes. If approved, the Company plans to utilize CNG to serve a portion of the distribution
14 system starting in late May or early June 2019.

15 **Q. How does the CNG per unit pricing compare to the per unit spot propane price?**

16 A. For the upcoming summer period, the projected average cost of propane is [REDACTED] per
17 therm (Schedule K, Line 39) while the projected average cost of CNG is [REDACTED] per
18 therm (Schedule K, Line 25). CNG is projected to be [REDACTED] per therm less than the unit
19 cost of spot propane.

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

3 A. Yes. There is a demand charge for the CNG. The demand charge is a fixed charge,
4 which is paid by the Company in 12 monthly installments, totaling [REDACTED]. If the use
5 of CNG is approved, the Company anticipates allocating the demand charge on a pro-rata
6 basis proportionate to the percentage of off-peak and peak period loads to total annual
7 load. For example, the off-peak load percentage to total annual load is approximately
8 20% and therefore the expectation would be to recover 20% of the demand charge
9 [REDACTED] during the off-peak period, while the remaining 80% [REDACTED] would be
10 collected during the peak period.

11 **Q. How will the inclusion of the demand charge affect the CNG unit cost in comparison**
12 **to the propane spot price?**

13 A. Yes. With 20% of the fixed demand charge added to the cost of CNG, the unit cost of the
14 CNG volumes increases to [REDACTED] per therm as compared to spot propane which is
15 projected to be [REDACTED] per therm. The CNG utilized in this off-peak period will be
16 approximately [REDACTED] more than propane; however, as more CNG volumes are utilized
17 over the entire portfolio in subsequent years, the fixed demand charge impact on the unit
18 cost of gas will diminish in a linear fashion.

1 **Q. What is the net overall difference when comparing the total summer portfolio either**
2 **with CNG or without CNG?**

3 A. The effect on the overall cost of gas is projected to be about one cent more per therm with
4 CNG included rather than not. In summary, the CNG commodity cost is significantly
5 less than the propane cost, however the fixed demand charge causes a per unit cost
6 inflation which brings the total cost of CNG this summer more in line with the cost of
7 propane. Since the Company is only planning to serve a small section of the portfolio
8 with CNG initially the effect of the demand charge makes CNG seem slightly more
9 expensive but only until more of the distribution system is served by CNG. As more
10 CNG conversions ensue, the impact on the per unit cost due to the fixed demand charge
11 will diminish, likely making natural gas the lower cost commodity for the future.

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

13 A. Yes, it does.

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