STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

Docket No. DG 20-XXX

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities
Winter 2020/2021 Cost of Gas
Summer 2021 Cost of Gas

DIRECT TESTIMONY

OF

DAVID B. SIMEK

AND

CATHERINE A. MCNAMARA

September 1, 2020

I. INTRODUCTION

Q. Please state your full name and business address.

A. (DS) My name is David B. Simek. My business address is 15 Buttrick Road, Londonderry, New Hampshire.

(CM) My name is Catherine A. McNamara. My business address is 15 Buttrick Road, Londonderry, New Hampshire.

Q. Please state by whom you are employed.

A. We are employed by Liberty Utilities Service Corp. ("Liberty"), which provides service to Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities ("EnergyNorth" or "the Company").

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

A. (DS) I graduated from Ferris State University in 1993 with a Bachelor of Science in Finance. I received a Master's of Science in Finance from Walsh College in 2000. I also received a Master's of Business Administration from Walsh College in 2001. In 2006, I earned a Graduate Certificate in Power Systems Management from Worcester Polytechnic Institute. In August 2013, I joined Liberty as a Utility Analyst and I was promoted to Manager, Rates and Regulatory Affairs in August 2017. Prior to my employment at Liberty, I was employed by NSTAR Electric & Gas ("NSTAR") as a Senior Analyst in Energy Supply from 2008 to 2012. Prior to my position in Energy

Supply at NSTAR, I was a Senior Financial Analyst within the NSTAR Investment Planning group from 2004 to 2008.

(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. (DS) Yes. I have testified on numerous occasions before the Commission.

(CM) Yes. I have testified on multiple occasions before the Commission.

Q. What is the purpose of your testimony?

A. The purpose of our testimony is to explain the Company's proposed firm sales cost of gas rates for the 2020/2021 Winter (Peak) Period and the Company's proposed 2020/2021 Local Delivery Adjustment Clause, both effective November 1, 2020. Our testimony also explains the Company's proposed firm sales cost of gas rates for the 2021 Summer (Off-Peak) Period.

II. WINTER 2020/2021 COST OF GAS FACTOR

Q. What are the proposed firm Winter sales and firm transportation cost of gas rates?

A. The Company proposes a firm sales cost of gas rate of $0.5571 per therm for residential customers, $0.5552 per therm for commercial/industrial high winter use customers, and $0.5660 per therm for commercial/industrial low winter use customers as shown on Proposed Eleventh Revised Page 92 (Bates 047). The Company proposes a firm transportation cost of gas rate of $0.0001 per therm as shown on Proposed Fourth Revised Page 94 (Bates 049).

Q. Please explain tariff page and Proposed Eleventh Revised Page 92 (Bates 047).

A. Proposed Eleventh Revised Page 92 contains the calculation of the 2020/2021 Winter Period Cost of Gas Rate and summarize the Company's forecast of firm gas costs and firm gas sales. As shown on Page 92, the proposed 2020/2021 Average Cost of Gas of $0.5571 per therm is derived by adding the Direct Cost of Gas Rate of $0.5319 per therm to the Indirect Cost of Gas Rate of $0.0252 per therm. The estimated total Anticipated Direct Cost of Gas, derived on Page 92, is $46,922,854. The estimated Indirect Cost of Gas, also derived on Page 92, is $2,220,114. The Direct Cost of Gas Rate of $0.5319 and the Indirect Cost of Gas Rate of $0.0252 are determined by dividing each of these total cost figures by the projected winter period firm sales volumes of 88,213,529 therms.

To calculate the total Anticipated Direct Cost of Gas, the Company adds a list of allowable adjustments from deferred gas cost accounts to the projected demand and commodity costs for the winter period supply portfolio. These allowable adjustments, shown on Page 92.1, total $1,012,447. These adjustments are added to the Unadjusted

Anticipated Cost of Gas of $45,910,407 to determine the Total Anticipated Direct Cost of Gas of $46,922,854.

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

A. The Unadjusted Anticipated Cost of Gas shown on Proposed Original Page 92.1 consists of the following components:

1.	Purchased Gas Demand Costs	$12,022,922
2.	Purchased Gas Commodity Costs	28,276,980
3.	Storage Demand and Capacity Costs	955,766
4.	Storage Commodity Costs	3,064,149
5.	Produced Gas Cost	1,590,589
	Total	**$45,910,406

**Slightly off due to rounding

Q. What are the components of the allowable adjustments to the Cost of Gas?

A. The allowable adjustments to gas costs, listed on Proposed Original Page 92.1, are as follows:

1.	Deferred Gas Cost Prior Period Under Collection	$2,227,421
2.	Interest	72,812
3.	Fuel Inventory Revenue Requirement	441,037
4.	Broker Revenues	(32,725)
5.	Transportation COG Revenue	(4,516)
6.	Capacity Release Margin	(1,736,581)
7.	Fixed Price Administrative Cost	45,000
	Total Adjustments	**$1,012,448

**Slightly off due to rounding

These allowable adjustments are standard adjustments made to the deferred gas cost balance through the operation of the Company's cost of gas adjustment clause. We discuss the factors contributing to the prior period under collection later in this testimony.

Q. How does the proposed average cost of gas rate in this filing compare to the average cost of gas rate approved by the Commission in Docket No. DG 19-145 for the 2019/2020 winter period?

A. The average cost of gas rate proposed in this filing of $0.5571 per therm is $0.0632 per therm less than the initial rate of $0.6203 per therm approved by the Commission in Order No. 26,306 (October 31, 2019) in Docket No. DG 19-145. The $0.0632 per therm decrease in the rate reflects a $6,025,265 decrease in the Total Unadjusted Direct Cost of Gas.

Q. How does the proposed firm transportation winter cost of gas rate compare to the rate approved by the Commission for the 2019/2020 winter period?

A. The proposed firm transportation winter cost of gas rate is $0.0001 per therm. The rate approved in Docket No. DG 19-145 was $0.0009 per therm. The decrease in the rate relates primarily to an estimated $29,483 decrease in commodity costs and the difference between the winter season 2019/2020 beginning balance of $29,161 (an over-collection) and the winter season 2020/2021 beginning balance of $40,053 (an over-collection).

Q. In the calculation of its firm transportation winter cost of gas rate, has the Company updated the estimated percentage used for pressure support purposes?

A. No. The Company used, for pressure support purposes, a rate of 8.7% based on the marginal cost study used for the rate design approved in Docket No. DG 17-048.

Q. Did the Company include a fuel inventory revenue requirement calculation in this filing?

A. Yes (Bates 198). The Company is proposing to collect $441,037 in fuel inventory revenue requirement consistent with Order No. 26,156 (July 10, 2018) in Docket No. DG 17-048. The impact of this amount to the overall Cost of Gas rate is $0.0050 per therm which is determined by dividing the $441,037 by the estimated November 2019 through October 2020 COG sales volumes of 87,788,508 therms.

Q. How was the statutory tax rate of 27.08% calculated (Bates 198)?

A. The statutory rate of 27.08% was calculated by using a 21% federal tax rate and a 7.7% tax rate for the State of New Hampshire (0.21 + 0.077 – (0.21 x 0.077) = 0.27083).

Q. How was the common equity pre-tax rate of 6.280% calculated (Bates 198)?

A. The common equity pre-tax rate of 6.280% was calculated by dividing the 9.30% rate of return on common equity, approved in Docket No. DG 17-048, by 0.72917 (1 – 0.27083) [statutory tax rate – see previous question]) and multiplied by 49.20% (equity component of the capital structure approved in DG 17-048) [0.093 / 0.72917 x 0.4920 = 0.0628].

Q. Has the bad debt percentage in this filing of 1.11% changed from the bad debt percentage calculated in the Winter 2019/2020 Cost of Gas Reconciliation?

A. No. The bad debt percentage of 1.11% used in this filing is the calculated rate for the period of May 2019–April 2020.

Q. What was the actual weighted average firm sales cost of gas rate for the 2019/2020 winter period?

A. The weighted average cost of gas rate was $0.4632 per therm (Bates 085 Line 54). This was calculated by applying the actual monthly cost of gas rates for November 2019 through April 2020 to the monthly therm usage of an average residential heating customer using 667 therms for the six winter period months.

III. PRIOR WINTER PERIOD UNDER-COLLECTION

Q. Please explain the prior period under collection of $1,863,956.

A. The prior period under-collection is detailed in the 2019/2020 winter period reconciliation that was filed with the Commission on July 31, 2020. The $1,863,956 under-collection is the sum of the deferred gas cost, bad debt, and working capital over- and under-collection balances as of April 30, 2020. The under-collection was driven mainly by the lag in the timing of monthly cost of gas rate adjustments as compared to changes in the underlying costs.

IV. FIXED PRICE OPTION

Q. Has the Company established a winter period fixed price pursuant to its Fixed Price Option Program?

A. Yes. Pursuant to Order No. 24,515 in Docket No. DG 05-127, the Fixed Price Option Program ("FPO") rates are set at $0.0200 per therm higher than the initial proposed COG rate. Proposed Third Revised Page 91 (Bates 046) contains the FPO rate for the 2020/2021 winter period, which is $0.5771 per therm for residential customers. This compares to the FPO rate approved for the 2019/2020 winter period of $0.6403 per therm for residential customers. This represents a $0.0632 per therm or 9.87% decrease in the residential FPO rate. The total bill impact on the winter period bills for an average FPO heating customer using 667 therms is a decrease of approximately $34.21 or 3.67% compared to last winter. The total bill impact reflects the overall rates in effect following implementation of the increases approved in Docket No. DG 20-049, effective July 1, 2020, relating to the cast iron/bare steel main replacement program. The estimated winter period bill for an average residential heating customer opting for the FPO would be approximately $13.32 (or 1.51%) higher than the bill under the proposed cost of gas rates, assuming no monthly adjustments to the COG rate during the course of the winter. Schedule 23 (Bates 195) contains the historical results of the FPO program.

V. LOCAL DELIVERY ADJUSTMENT CLAUSE ("LDAC")

Q. What are the surcharges that will be billed under the LDAC?

A. As shown on Proposed Third Revised Page 97 (Bates 052), the Company is submitting for approval an LDAC of $0.0603 per therm for the residential non-heating class and residential heating class, and $0.0549 per therm for the commercial/industrial bundled sales classes, effective November 1, 2020. The surcharges proposed to be billed under the LDAC are the Energy Efficiency Charge, the Revenue Decoupling Adjustment Factor, the Environmental Surcharge for Manufactured Gas Plant ("MGP") remediation, the Residential Gas Assistance Program charge, and the rate case expense reconciliation surcharge from Docket No. DG 17-048.

Q. Which customers are billed an LDAC?

A. All EnergyNorth customers including those in Keene are billed an LDAC charge. When calculating the LDAC charge, the November 1, 2020, through October 31, 2021, forecasted Keene therm sales of 1,442,013 are added to the EnergyNorth therm sales forecast of 178,132,666 for a total therm sales forecast of 179,574,679.

Q. Please explain the Energy Efficiency Charge.

A. The Energy Efficiency Charge is designed to recover the projected expenses associated with the Company's energy efficiency programs for the November 2020–October 2021 period that will be filed with the Commission in the near future. In the calculation of the Energy Efficiency Charge, the Company has also included the projected prior period under-recovery of the Company's residential and commercial energy efficiency programs as of October 2020. As shown on Schedule 19 Energy Efficiency (Bates 124-126), the proposed Energy Efficiency charge is $0.0831 per therm for Residential customers and $0.0441 per therm for commercial and industrial customers.

Q. Please explain the Revenue Decoupling Adjustment Factor ("RDAF").

A. The purpose of the RDAF is to recover or refund, on an annual basis, the difference between the Actual Base Revenue per Customer and the Benchmark Base Revenue per Customer. Schedule 19 RDAF (Bates 109-123) shows the proposed Actual Base Revenue per Customer and the Benchmark Base Revenue per Customer calculation of a total over-collection of $4,965,947 effective November 1, 2020, through October 31, 2021. Schedule 19 RDAF also includes a proposed September 2019 through August 2020 reconciliation. The reconciliation is new to this filing and calculates a remaining refund of $1,010,099 effective November 1, 2020, through October 31, 2021.

Q. What is the proposed Residential Gas Assistance Program charge?

A. As shown on Schedule 19 Gas Assistance (Bates 127-128), the proposed Residential Gas Assistance charge is $0.0121 per therm. It is designed to recover administrative costs, revenue shortfall, and the prior period reconciliation adjustment relating to this program. For the 2020/2021 winter period, the Company is providing a 45% base rate and cost of gas discount, consistent with the settlement agreement approved by the Commission in Order No. 26,397 (August 27, 2020) in Docket No. DG 20-013. The proposed Residential Gas Assistance charge is designed to recover $2,165,954, of which $1,689,200 is for the revenue shortfall resulting from 4,880 customers receiving a 45% discount off their base and cost of gas rates, and $476,754 for the prior year reconciling adjustment.

Q. In Order No. 24,824 (Feb. 29, 2008) in Docket No. DG 06-122 relating to short-term debt issues, the Company agreed to adjust its short-term debt limits each year as

part of the Company's Winter Period Cost of Gas filing. Did the Company calculate the short-term debt limit for fuel and non-fuel purposes in accordance with this settlement?

A. Yes, the Company included in Schedule 24 (Bates 196) the short-term debt limit for fuel and non-fuel purposes for the 2020/2021 winter period. As shown, the short-term debt limit for fuel inventory financing for the period November 1, 2020, through October 31, 2021, is calculated to be $14,702,768 and the limit for non-fuel purposes is calculated to be $105,567,204.

Q. Has the Company updated the Environmental Surcharge (Tariff Page 95)?

A. Yes, it has. The costs submitted for recovery through the MGP remediation cost recovery mechanism, as well as the third party recoveries, are included in the Environmental Cost Summary in Schedule 20 (Bates 130) of this filing. The environmental investigation and remediation costs that underlie these expenses are the result of efforts by the Company to respond to its legal obligations with regard to these sites, as described by Ms. Casey in her pre-filed direct testimony in this proceeding and as set forth in the MGP site summaries included in this filing under Schedule 20. The Summary included in Schedule 20 shows the remediation cost pools for the Concord Pond, Concord MGP, Manchester, Nashua, and Laconia sites, and a General Pool for costs that cannot be directly assigned to a specific site.

A summary sheet and detailed backup spreadsheets that support the 2019/2020 costs are provided in Schedule 20 of this filing. Ms. Casey's testimony describes the Company's activities with regard to all five sites.

Q. Please describe how the Company calculated the Environmental Surcharge included in this filing.

A. The proposed Manufactured Gas Plant Remediation surcharge for the period beginning November 1, 2020, and ending October 31, 2021, is $0.0197 per therm. Consistent with filings made over the past few years, this surcharge will recover a total of $2,864,179 in amortized remediation costs. New to this filing are amortized actual to forecast true-up recovery costs through June 2019 of $341,389 (total amount is $1,024,167 which is proposed to be amortized over three years). The $1,024,167 is the recommended amount provided by Audit Staff in the DG 19-145 Final Audit Report dated April 9, 2020. Also, new to this filing are actual to forecast true-up recovery cost for the period July 2019 through June 2020 of $338,564. The costs submitted for recovery are shown in the Environmental Cost Summary included in Schedule 20 of this filing.

Q. Did the Company include a Rate Case Expense (RCE) surcharge in this filing?

A. Yes. As shown on Schedule 19 RCE (Bates 107-108), the Company is proposing to collect $44,619 in uncollected rate case expense consistent with Order No. 26,122 (April 27, 2018) in Docket No. DG 17-048. The RCE rate of $0.0002 per therm is determined by dividing the $44,619 by the estimated November 2020 through October 2021 sales volumes of 179,574,679 therms.

Q. Has the Company also updated its Company Allowance percentage for the period November 2020 through October 2021 in accordance with Section 8 of the Company's Delivery Terms and Condition?

A. Yes, in Schedule 25 (Bates 197) the Company has recalculated its Company Allowance for the period November 2020 through October 2021. The Company calculated the Company Allowance of 1.61% based on sendout and throughput data for the twelve-month period ending June 2020. The Company proposes to apply this recalculated Company Allowance to all supplier deliveries beginning in November 2020.

VI. CUSTOMER BILL IMPACTS

Q. What are the estimated impacts of the proposed firm sales cost of gas rate and proposed LDAC surcharges on an average heating customer's winter bill as compared to the winter rates in effect last year?

A. The bill impact analysis is presented in Schedule 8 (Bates 085) of this filing. These bill impacts reflect the implementation of the increases approved in Docket No. DG 20-049 effective July 1, 2020, relating to the cast iron/bare steel main replacement program. The total bill impact over the winter period for an average residential heating customer is an increase of approximately $91.21 or 11.51%. The total bill impact over the winter period for an average commercial/industrial G-41 customer is an increase of approximately $223.46, or 11.0% (Bates 086). Schedule 8 of this filing provides more detail of the impact of the proposed rate adjustments on heating customers.

VII. OTHER TARIFF CHANGES

Q. Is the Company updating its Delivery Terms and Conditions in the filing?

A. Yes. The Company is submitting Proposed Third Revised Page 147 (Bates 053) relating to Supplier Balancing and Peaking Demand Charges and Proposed Third Revised Page 148 (Bates 054) relating to Capacity Allocation.

Q. Please describe the changes to tariff Page 147.

A. In Proposed Third Revised Page 147, the Company is updating the Peaking Demand Charge from $18.12 per MMBtu of Peak MDQ to $17.32 per MMBtu of Peak MDQ. This calculation is also presented in Schedule 21 (Bates 178-188).

Q. Please describe the changes to tariff Page 148.

A. Proposed Second Revised Page 148 updates the Capacity Allocator percentages used to allocate pipeline, storage, and local peaking capacity to high and low load factor customers under the mandatory capacity assignment requirement for firm transportation service. Schedule 22 (Bates 189-194) contains the six-page worksheet that backs up the calculations for the updated allocators.

VIII. SUMMER 2020 COST OF GAS FACTOR

Q. What are the proposed 2020 summer firm sales cost of gas rates?

A. The Company proposes a firm sales cost of gas rate of $0.3148 per therm for residential customers, $0.3109 per therm for commercial/industrial high winter use customers, and $0.3199 per therm for commercial/industrial low winter use customers as shown on Proposed Eighth Revised Page 89 (Bates 207).

Q. Please explain tariff pages Proposed Third Revised Page 88 and Proposed Thirteenth Revised Page 89.

A. Proposed Third Revised Page 88 (Bates 206) and Proposed Thirteenth Revised Page 89 (Bates 207) contain the calculation of the 2020 Summer Period Cost of Gas Rate and summarize the Company's forecast of firm gas sales, firm gas sendout, and gas costs. On Proposed Thirteenth Revised Page 89, the 2021 Average Cost of Gas of $0.3148 per therm is derived by adding the Direct Cost of Gas Rate of $0.3257 per therm to the Indirect Cost of Gas Rate of ($0.0109) per therm. The estimated total Anticipated Direct Cost of gas is $7,386,965 and the estimated Indirect Cost of Gas is ($246,190). The Direct Cost of Gas Rate and the Indirect Cost of Gas Rates are determined by dividing each of these total cost figures by the projected Summer firm sales volumes of 22,681,422 therms. Proposed Thirteenth Revised Page 89 further shows that the Residential Cost of Gas Rate of $0.3148 per therm is equal to the Average Cost of Gas for all firm sales customers. It also shows the calculation of the Commercial/Industrial High Winter Use Cost of Gas Rate of $0.3109 per therm and the Commercial/Industrial Low Winter Use Cost of Gas Rate of $0.3199 per therm.

The calculation of the Anticipated Direct Cost of Gas is shown on Proposed Third Revised Page 88. To derive the total Anticipated Direct Cost of Gas of $7,386,965, the Company starts with the Unadjusted Anticipated Cost of Gas of $7,284,571 and adds the Net Adjustment totaling $102,394.

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

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

1. Purchased Gas Demand Costs	$2,868,280
2. Purchased Gas Supply Costs	4,387,278
3. Produced Gas Costs	29,014
Total Unadjusted Anticipated Cost of Gas	**$7,284,572

**Slightly off due to rounding

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

A. The adjustments to gas costs, listed on proposed Third Revised Page 88, are as follows:

1. Prior Period (Over)/Under Collection	$105,886
2. Interest	$(3,492)
Total Adjustments	$102,394

Q. How does the proposed average Residential Summer cost of gas rate in this filing compare to the initial cost of gas rate approved by the Commission for the 2020 Summer Period?

A. The cost of gas rate proposed in this filing is $0.1372 per therm lower than the initial rate approved by the Commission for the 2019 Summer Period ($0.4520 vs. $0.3148) (Schedule 8, Bates 229). This decrease is primarily due to a $1,779,560 lower estimated under-collection compared to the under-collection from the prior summer period.

Q. Does this conclude your testimony?

A. Yes, it does.