REDACTED

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

Docket No. DG 21-xxx

Liberty Utilities (EnergyNorth Natural Gas) Corp.
d/b/a Liberty – Keene Division

Summer 2021 Cost of Gas

DIRECT TESTIMONY

OF

DEBORAH GILBERTSON

AND

CATHERINE MCNAMARA

March 15, 2021

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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 Rates Analyst II, Rates and Regulatory Affairs.

Q. By whom are you employed?

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

(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 LUSC, I was employed by Eversource as a Senior Analyst in Investment Planning from 2015 to 2017. From 2008 to 2015, I was a Supervisor within the Plant Accounting department. Prior to my position in Plant Accounting, I was a Financial Analyst/General Ledger System Administrator 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 previously testified before the Commission.

(CM) Yes, I have 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 2021 Summer ("Off Peak") Period to be effective beginning May 1, 2021.

II. COST OF GAS FACTOR

Q. What is the proposed 2021 summer firm cost of gas rate?

A. The Company proposes a firm cost of gas rate of $1.2165 per therm for the Keene Division as shown on proposed Fourteenth Revised Page 90.

Q. Please explain Fourteenth Revised Page 90.

A. Fourteenth Revised Page 90 contains the calculation of the Summer 2021 COG rate and summarizes the Company's forecast of gas sales and gas costs. The total anticipated cost of sendout from May 1 through October 31, 2021, is $386,104. To derive the Total Anticipated Cost of $386,104, the prior period over-collection of ($7,009) and the interest of $150 are subtracted from the anticipated cost of sendout. The Cost of Gas Rate of $1.2165 per therm is derived by dividing the Total Anticipated Cost of $379,205 by the projected firm sales volumes of 311,740 therms.

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

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

1.	Prior Period (Over)/Under Collection	($7,009)
2.	Interest	$150
Total Adjustments		**($6,859)**

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 as well as looking at Mt. Belvieu index pricing and making some assumptions on supplier adders. 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 February 26, 2021. 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, estimate the likely components of the quoted price.

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 2020 Summer Period?

A. The cost of gas rate proposed in this filing is $0.5839 per therm higher than the initial rate approved by the Commission for the 2020 Summer Period ($1.2165 vs. $0.6326).

Q. Why is the average cost of gas rate in this filing $0.5839 per therm higher than the initial rate approved by the Commission for the 2020 Summer Period?

A. There are two main drivers for the $0.5839 per therm increase. The first is related to the prior period over-collection that went from $81,848 in the 2020 filing to only a $6,859 over-collection in this filing. This over-collection reduction accounts for $0.2405 per therm of the increase. The second is that the propane commodity cost has increased substantially in comparison to last year at this time. As is customary for summer pricing, the company polled a couple of the local suppliers for their view on where prices will likely fall for the upcoming summer. The consensus is that the propane market is very confusing at this time. Due to the extreme cold in Texas and the Mid-West, last month there was a run up in values at Mt. Belvieu. Although values have come down considerably, they are still much higher than last year. Last summer Mt. Belvieu was averaging 37 cents per gallon as opposed to this upcoming summer which shows Mt.

Belvieu at 79 cents per gallon. This is more than double the price. Schedule C itemizes the forecasted cost of procuring propane for delivery to Keene.

Q. What was the actual weighted average firm sales cost of gas rate for the 2020 Summer Period?

A. The weighted average cost of gas rate for the 2020 Summer Period was approximately $0.7049 per therm. This was determined by applying the actual monthly cost of gas rates for May through October 2020 to the monthly therm usage of an average residential heating customer using 87 therms for the six summer period months (see Schedule I-1 or Schedule I-2, for more details).

Q. Are current CNG demand charges included in this filing?

A. Yes, CNG demand charges are included in Schedule B on line 10. Schedule B, Line 10 includes 20% of the 2021 demand charges. These charges are $[redacted] per month for May and June 2021. The Company recently signed a new, multi-year contract, which contract governs the period July–October 2021. The annual demand charge in the new contract is $[redacted]. This demand contract is allocated 80/20 between winter and summer as follows: $[redacted] X 20% = $[redacted]. The $[redacted] divided by 6 months is $[redacted] each month for July–October 2021. Total demand charges included in this filing are $[redacted].

Q. Are any past CNG demand charges that were incurred from August 2017 through 2019 included in this filing?

A. No.

Q. Why are the CNG demand charges incurred from August 2017 through September 2019 not included in this filing?

A. In Docket No. DG 20-152, the Company proposed to recover the winter period demand costs that were incurred from August 2017 through September 2019 over a three-year period. The Company is awaiting a supplemental order in Docket No. 20-152, on the allowance of these costs in rates. Pending receipt of that order, the Company opted not to include those past summer period demand charges at this time.

Q. How would the CNG demand charges for the August 2017 through September 2019, attributable to summer, be calculated?

A. The demand charges for the 26 months are $[redacted] per month for a total of $[redacted]. The $[redacted] was then divided by three (the Company is proposing to amortize the cost over three years) to get an annual total of $[redacted]. The current annual charges are split 80/20 between winter and summer; $[redacted] X 20% total $[redacted]. The resulting summer period charge is $[redacted], which divided by six results in a monthly charge of $[redacted].

Q. What is the bill impact if the CNG demand charges from August 2017 through September 2019 were included in this filing?

A. If the $[redacted] in costs were included, the proposed COG rate for summer 2021 would be $1.2745 per therm. This is an increase of $0.0580 from the proposed rate of $1.2165.

III. PRIOR PERIOD RECONCILIATION

Q. Has the Company filed its reconciliation of the Summer 2020 Cost of Gas in Docket No. DG 20-041?

A. Yes. The Company filed its reconciliation of the Summer 2020 Cost of Gas on December 15, 2020. As of the date of this filing, Audit Staff has not yet concluded the audit.

Q. Did the Company include any adjustments in this filing to account for known findings by Audit Staff?

A. Yes, the Company has one known adjustment at this time. There were $30,255 of costs booked to the summer deferral account in 2020 that should have been booked to the winter deferral account. These charges are the result of the settlement of the marketer's basis charge dispute with XNG. When the settlement was paid, the entire payment was booked to the summer deferral account in error; $30,255 of the total should have been booked to the winter season.

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

A. No.

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 Schedule I-2 of this filing. The total bill impact for an average residential customer, for the off-peak season, is an increase of approximately $45.08, or 21.6% (see Schedule I-2, column 14, rows 54 and 55, respectively) as compared to the total bill for the 2020 Off-Peak season.

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

A. On April 1, 2021, the Company will be posting information regarding this filing on its website. Once the rates are approved, they will be posted on the website by May 1, 2020. The May bills will include on-bill messaging along with a bill insert reminding customers of the new rates, and directing them to the website for more information.

V. <u>PROPANE PURCHASING STABILIZATION PLAN</u>

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 2020–2021 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 the Plan. The analysis shows that the cost of the pre-purchased gallons was 34.6% 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 Proposals ("RFP") to potential suppliers for the 2020–2021 Plan?

A. Yes. The Company issued the RFP for the 2021–2022 Plan on March 2, 2021. The RFP process was the same as the process used last summer. The RFP was sent to twelve suppliers. Once a winning bidder has been selected, they will be notified.

Q. Is the Company proposing any changes to the 2020–2021 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 700,000 gallons to maintain a consistent ratio of hedged volumes to expected sales.

VI. COMPRESSED NATURAL GAS ("CNG")

Q. When does the current CNG contract expire?

A. The current contract expires on June 30, 2021.

Q. Has the Company conducted a solicitation process to replace the contract, which will expire in mid-summer?

A. Yes, the Company sent an RFP to several suppliers in July 2020. The Company received responses from [redacted] suppliers. An internal review of the responses was performed and the Company chose the least cost conforming bid. The Company awarded the new contract in December 2020 to the incumbent supplier. The new contract begins July 1, 2021.

Q. How does the new CNG contract compare to the existing CNG contract?

A. The new contract has a slightly lower demand charge than the existing contract as well as a lower adder and marketer basis charge. Additionally, the new contract allows the Company to choose alternate pricing indices. For example, the Company will have the option to choose either an [redacted] price plus basis or a [redacted] price plus basis. This optionality is expected to reduce costs during peak periods.

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

A. For the upcoming summer period, the projected average cost of propane is $[redacted] per therm (Schedule K, Line 40) while the projected average cost of CNG is $[redacted] per therm (Schedule K, Line 28). CNG is projected to be $[redacted] per therm less than the unit cost of spot propane.

Q. How does the Company plan to recover the demand costs?

A. The demand charge is a fixed charge, which is paid by the Company in twelve monthly installments, totaling $[redacted]. In July 2021, that annual demand charge will be reduced to $[redacted]. The Company will allocate the demand charge on a pro-rata basis proportionate to the percentage of off-peak and peak period loads to total annual load. For example, the off-peak load percentage to total annual load is approximately 20% and therefore the expectation is to recover 20% of the demand charge ($[redacted]) ($[redacted] after July) during the off-peak period, while the remaining 80% ($[redacted]) ($[redacted] after July) is collected during the peak period.

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

A. The effect on the overall cost of gas is currently projected to be about 0.005 cents less per therm with CNG included rather than if spot propane were the only commodity utilized to serve the portfolio.

Q. Does the Company have plans to expand the CNG beyond the current footprint and if so, when does the Company plan to do this?

A. The Company is in the midst of developing conversion plans and intends to engage Staff this summer with alternative supply options. Those options will include a straight propane option and a propane-air option along with a detailed analysis which will allow the Company to compare the CNG/LNG options against the propane and propane-air options, both from a safety and financial view.

Q. Does this conclude your testimony?

A. Yes.

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