REDACTED

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

Docket No. DG 21-132

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty
Winter 2021/2022 Cost of Gas–Keene Division

UPDATED DIRECT TESTIMONY

OF

DEBORAH M. GILBERTSON,

CATHERINE A. McNAMARA,

AND

DAVID B. SIMEK

October 18, 2021

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I. INTRODUCTION

Q. Please state your full name, business address, and positions.

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

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

(DS) My name is David B. Simek. My business address is 15 Buttrick Road, Londonderry, New Hampshire. My title is Manager, 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. d/b/a Liberty ("Liberty" or the "Company") and Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty.

Q. On whose behalf are you testifying?

A. We are testifying on behalf of Liberty's Keene Division.

Q. Please describe your educational backgrounds, and your business and professional experience.

A. (DG) (CM) (DS) Please see our Direct Testimony, filed September 15, 2021, for our educational backgrounds and business and professional experience.

Q. Ms. Gilbertson, Ms. McNamara, and Mr. Simek, have you previously testified in regulatory proceedings before the New Hampshire Public Utilities Commission (the "Commission")?

A. Yes, we have.

Q. What is the purpose of your testimony?

A. The purpose of our testimony is to explain the Company's updated proposed cost of gas rates for its Keene Division for the 2021/2022 winter (peak) period to be effective beginning November 1, 2021. Our testimony will also address bill comparisons and other items related to the winter period.

II. WINTER 2021/2022 COST OF GAS FACTOR

Q. What is the updated proposed firm winter cost of gas rate?

A. The Company proposes a firm cost of gas rate of $1.9868 per therm for the Keene Division as shown on Proposed Second Revised Page 97.

Q. Please explain the calculation of the Cost of Gas rate on tariff page Proposed Second Revised Page 97.

A. Proposed Second Revised Page 97 contains the calculation of the 2021/2022 Winter Period Cost of Gas Rate ("COG") and summarizes the Company's forecast of propane and compressed natural gas ("CNG") sales and propane and CNG costs. The total anticipated cost of the gas sendout from November 1, 2021, through April 30, 2022, is $2,099,557. The information presented on the tariff page is supported by Updated Schedules A through J that are described later in this testimony.

To derive the Total Anticipated Cost of Gas, the following adjustments have been made:

1) The prior period under-collection of $69,913 is added from the anticipated cost of gas sendout; and
2) Interest of $323 is added to the anticipated cost of gas sendout. Updated Schedule H shows this forecasted interest calculation for the period May 2021 through April 2022. Interest is accrued using the monthly prime lending rate as reported by the Federal Reserve Statistical Release of Selected Interest Rates.

The Non-Fixed Price Option ("Non-FPO") cost of gas rate of $1.9868 per therm was calculated by dividing the Total Anticipated Cost of Gas of $2,099,557 by the Projected Gas Sales of 1,092,113 therms. The Fixed Price Option ("FPO") rate of $1.8941 per therm was established by adding a $0.02 per therm premium to the Non-FPO rate from the original filing of $1.8741. The Company does not propose to change the FPO rate from the original filing.

Q. Please describe Updated Schedule A.

A. Updated Schedule A converts the gas volumes and unit costs from gallons to therms. The 1,140,267 therms represent sendout as detailed on Updated Schedule B, line 3 and line 8. The blended unit cost of those supplies is $1.5777 per therm which represents the weighted average cost per therm for the winter period gas sendout as detailed on Updated Schedule F, line 55.

Q. What is Updated Schedule B?

A. Updated Schedule B presents the (over)/under collection calculation for the Winter 2021/2022 period based on the forecasted volumes, the cost of gas, and applicable interest amounts. The forecasted total propane sendout on line 3, plus total CNG sendout on line 8, is the sum of the weather normalized 2021/2022 winter period firm sendout and company use. The forecasted Firm Sales on line 27 represent weather normalized 2021/2022 winter period firm sales. The weather normalization calculations for sendout and sales are found in Updated Schedules I and J, respectively.

Q. Are CNG demand charges included in this filing?

A. Yes, CNG demand charges are included in Updated Schedule B on line 11.

Updated Schedule B, line 11, includes 75% of the 2021/2022 demand charges. These charges are [redacted] per month or [redacted] for the season and represent the portion attributable to the winter period.

Q. Are incremental costs for prior winter periods related to the use of CNG vs. propane included in this filing?

A. Yes, prior winter period incremental costs are included at a rate of 50% for the winter of 2019/2020 and winter of 2020/2021, per Section 7.1 of the Settlement Agreement in Docket No. DG 20-105. The calculation can be found on Updated Schedule O. Projected savings for winter 2021/2022 of $37,737 are also included at 100% because that amount does not exceed the 50% of accumulated incremental CNG costs from prior periods.

Q. What prior incremental costs are included in this filing?

A. Incremental costs of $66,299 for the winter of 2019/2020 are offset by the removal of 50% of the actual incremental costs or $22,008 for the winter of 2020/2021. Also included are the projected savings for winter 2021/2022 of $37,737, which are also included at 100% as they do not exceed 50% of the accumulated incremental costs from prior periods. The net incremental costs included in this filing are $82,028. These items can be found on Updated Schedule B, lines 12–15. The incremental costs of $68,263 reported in the DG 20-105 Settlement Agreement were a combination of actual and projected costs. The actual incremental cost calculations can be found on Updated Schedule P and Updated Schedule N.

Q. Are unaccounted-for gas volumes included in the filing?

A. Unaccounted-for gas is included in the firm sendout on Updated Schedule B, lines 1 and 8. The Company actively monitors its level of unaccounted-for volumes, which amounted to 0.19% for the twelve months ended June 30, 2021.

Q. Please describe Updated Schedules C, D, and E.

A. Updated Schedule C presents the calculation of the total forecasted cost of gas purchases in the 2021/2022 winter period, segregated by Propane Purchasing Stabilization Plan (“PPSP”) purchases, available storage deliveries from Liberty’s Amherst facility, CNG deliveries, and spot purchases.

Updated Schedule D presents the structure of PPSP pre-purchases for the winter period, monthly average rates for the pre-purchases, and the resulting weighted average contract price for the winter period as used in Updated Schedule C, line 5.

Updated Schedule E presents the forecasted market spot prices of propane. Column 1 of the updated schedule represents the Mont Belvieu propane futures quotations as of October 12, 2021, followed by projected broker fees, pipeline fees, PERC fees, supplier charges, and trucking charges. Together, the pricing and fees make up the expected cost of spot propane purchases as represented in Updated Schedule C, line 31.

Q. Please describe the Propane Purchasing Stabilization Plan (PPSP).

A. The PPSP, as approved in Order No. 24,617 in Docket No. DG 06-037, was again implemented for the winter 2021/2022. As shown on Updated Schedule D, the Company pre-purchased 700,000 gallons of propane between April and September at a weighted average price of $1.3044 per gallon ($1.4255per therm), inclusive of broker, pipeline, Propane Education & Research Council (“PERC”), and trucking charges in effect at the time of the supplier’s bid.

Q. Have the pre-purchased volumes in the PPSP changed since 2020/2021?

A. No. The volume remains at 700,000 gallons or 640,500 therms. The Keene Division maintains a pre-purchase hedge of approximately 66%.

Q. How was the cost of CNG purchases determined?

A. The CNG costs are shown in Updated Schedule C, lines 19 through 26. These costs reflect the contractual agreement between the Company and its supplier, Xpress Natural Gas, LLC.

Q. Please describe Updated Schedule F.

A. Updated Schedule F contains the calculation of the weighted average cost of inventory for each month through April 2022. The unit cost of projected gas to be sent out each month utilizes this weighted average inventory cost, which is inclusive of all PPSP purchases, spot purchases, Amherst storage withdrawals, and CNG deliveries. Note that the CNG deliveries are shown in separate columns from the propane-weighted cost but are included in the average winter rate, which is established on line 55 of Updated Schedule F. This mix of supply purchases is also itemized on Updated Schedule C.

Q. What is shown on Updated Schedule G?

A. Updated Schedule G shows the under-collected balance for the prior winter 2020/2021 period, including interest calculated in a manner consistent with prior years. The under-collected balance of $38,715 (line 56) is shown on Updated Schedule H, line 1, Column 1.

Q. How is the information in Updated Schedule H represented in the cost of gas calculation?

A. Updated Schedule H presents the interest calculation and adjustments on (over)/under-collected balances through April 2022. The prior period under-collection of $38,715 plus the following adjustments total $69,613, the balance at October 31, 2021. That $69,613 balance is included on Updated Schedule B, line 35, in the "Prior" column. The forecasted monthly interest of $323 for the winter 2021/2022 period in Column 8 is included on Updated Schedule B, line 34. The adjusted prior period under-collection plus the interest amount is also included on the tariff page.

May-July 2021 Demand charges charged to the Winter Deferral-timing	$23,437.50
Revenue appropriately booked to the winter deferral in summer months	$5,894.75
Gas Supply Gas Assistance (GAP)	-$228.73
Total Adjustments	$29,103.52
Interest May-21 to October-21	$2,095.00
Total Adjustments plus interest	$31,198.52

III. FIXED PRICE OPTION PROGRAM

Q. Please describe the FPO program that will be in place for the winter period.

A. The Company will offer the FPO program for the upcoming winter period to provide customers the opportunity to lock in their cost of gas rate. Enrollment in the program is limited to 50% of forecasted winter sales, with allotments made available to both residential and commercial customers on a first-come, first-served basis. The Company is forecasting that 12.4% of total sales volumes will enroll in the FPO program. The 12.4% is the five-year average FPO participation rate from winter 2016/2017 through the winter of 2020/2021. The historical calculation can be found below.

Peak Heating Season	Customer Count	FPO Customer Count	Yearly Avg Participation
2020-2021	1,386	126	9.1%
2019-2020	1,351	93	6.9%
2018-2019	1,342	175	13.0%
2017-2018	1,218	186	15.3%
2016-2017	1148	216	18.8%
Total	6,445	796	12.4%

*values are taken from the month of December in each year

Q. Will a premium be applied to the FPO rate?

A. Yes. As approved in Order No. 24,516 in Docket No. DG 05-144, the Company has added a $0.02 per therm premium to the $1.8741 per therm Non-FPO cost of gas rate, from the original filing, to derive the FPO rate of $1.8941 per therm. The Company is not seeking an increase in the premium because participation, based on prior customer behavior, is expected to remain below the 50% threshold.

Q. How will customers be notified of the availability of the FPO program?

A. A letter was mailed to all customers by October 1 advising them of the program, the FPO rate, and the procedure to enroll.

IV. <u>COST OF GAS RATE AND BILL COMPARISONS</u>

Q. How does the proposed Winter 2021/2022 cost of gas rates compare with the previous winter's rates?

A. The proposed Non-FPO COG rate of $1.9868 per therm is an increase of $0.9615 or 93.8% from the winter 2020/2021 approved rate of $1.0253 per therm, from Order No.

26,421 (Oct. 30, 2020) in Docket No. DG 20-152, which order approved interim Cost of Gas rates.

The proposed FPO rate is $1.8941 per therm, representing an increase of $0.6641 per therm or 54.0% from last winter's interim fixed rate of $1.2300 from Order No. 26,421, which the Commission later reduced to $1.0277 in Order No. 26,428 (Dec. 2, 2020).

The FPO proposed in this updated filing remains the same as initially proposed, as letters were sent to customers with the FPO offer prior to this updated filing.

Q. What are the primary reasons for the change in rates?

A. The main reason for the $0.9615 increase is due to the increase in supply costs because of market futures. This accounts for approximately 86.7% of the price increase. Production and storage costs of $208,129, as included in the Settlement Agreement and approved in Order 26,505 in Docket No. DG 20-105 account for 9.6% of the increase. The remaining 3.7% is attributable to prior period under collection, FPO premium, return on inventory, and interest.

Q. What is the impact of the Winter 2021/2022 COG rate on the typical residential heat and hot water customer participating in the FPO program?

A. As shown on Updated Schedule K-1, Column 7, lines 30 and 31, the typical residential heat and hot water FPO customer would experience an increase of $379.38 or 81.2% in the gas component of their bills compared to the prior winter period. When the monthly customer charge, therm delivery charge, and LDAC are factored into the analysis, the typical customer would see a total bill increase of $414.88 or 49.4%, as shown on lines

37 and 38. The LDAC rate used in Updated Schedule K-1, line 32 is the LDAC rate proposed in the updated EnergyNorth COG Filing for the Company's EnergyNorth system, Docket No. DG 21-130. The Updated EnergyNorth COG Filing in Docket No. DG 21-130 will be filed on October 19, 2021.

Q. What is the impact of the Winter 2021/2022 COG rate on the typical residential heat and hot water customer choosing the Non-FPO program?

A. As shown on Updated Schedule K-2, Column 7, lines 30 and 31, the typical residential heat and hot water Non-FPO customer is projected to see an increase of $431.22 or 94.4% in the gas component of their bills compared to the prior winter period. When the monthly customer charge, therm delivery charge, and LDAC are factored into the analysis, the typical customer would see a total bill increase of $468.77 or 56.5% as shown on lines 37 and 38. The LDAC rate used in Updated Schedule K-2, line 32 is the LDAC rate proposed in the Updated EnergyNorth COG Filing, Docket No. DG 21-130, which will be filed on October 19, 2021.

Q. Please describe the impact of the Winter 2021/2022 COG rate on the typical commercial customer compared to the prior winter period.

A. Updated Schedule L-1 illustrates that the typical commercial FPO customer would see a $1,464.16 or 81.5% increase in the gas component of their bill and a 52.7% increase in their total bill. Updated Schedule L-2 shows that the typical commercial Non-FPO customer would see increases of $2,013.50 or 143.2% increase in the gas component of their bill and 83.1% increase in their total bill.

V. OTHER ITEMS

Q. What is the status of CNG currently?

A. The Company began serving customers with CNG in October 2019. Customers experienced a smooth transition from propane service to CNG service. The service territory for CNG is exclusive to the Monadnock Marketplace at this time. After an RFP process, the Company entered into a new contract with Xpress Natural Gas (XNG), which went into effect July 1, 2021. The Company will otherwise follow the guidelines from the recent rate case settlement and order to continue the conversion of the Keene Division to natural gas.

Q. What is the price differential between the cost of spot propane and the cost of CNG?

A. For the upcoming peak period spot propane is 20.24 cents per therm more expensive than CNG. The calculation is Spot Purchases cost per therm found on Updated Schedule C, line 31 less the CNG Deliveries cost per therm found on Updated Schedule C, line 24.

Q. Does that comparison include the CNG demand charge?

A. Yes.

Q. Has there been any change to the allocation of the demand charge between the summer and winter as compared to last year?

A. Yes, the Company previously allocated 80% of the demand charge to the winter period, and 20% of the demand charge to the summer period. In Order No. 26,505 (July 30, 2021), the Commission approved the Settlement Agreement in the Company's recent distribution service rate case, which adjusted this allocation to 75% in the winter period and 25% in the summer.

Q. Can you comment on why the commodity price of propane has increased significantly over last year, yet the price of CNG has fallen?

A. Yes, as with natural gas, propane national inventories are currently below their six-year average. This, coupled with the increasing ability and financial incentive for producers to ship propane out of the country, has meant that the propane stocks have not been replenished at a rate necessary for the market to be comfortable by the onset of the winter season demand. For the CNG cost, although natural gas prices have also risen, the Company's new CNG contract that went into effect July 1 2021, allowed the Company to secure relatively more favorable terms for pricing over the previous contract price terms.

Q. Please describe how the Company will meet its 7-day on-site storage requirement.

A. The Company has net storage capacity at its plant in Keene for approximately 75,000 gallons of propane. Additionally, Liberty has approximately 129,800 gallons of propane at the Amherst storage facility located approximately 50 miles from the Keene plant. This storage facility is partially shared between the Keene Division and EnergyNorth. In addition, the Company will arrange its standard trucking commitment with Northern Gas Transport, Inc. for transportation from this storage facility to the Keene plant. Further, the Company has contracted for CNG deliveries to provide service to a small section of its system. The firm trucking arrangement coupled with onsite CNG trailers are more than enough to meet the 7-day demand requirement for those customers being served exclusively by CNG for the 2021/2022 peak period.

Q. Does this conclude your testimony?

A. Yes, it does.