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1	Direct Testimony of Deborah M. Gilbertson and James M. King, with Attachments {CONFIDENTIAL & PROPRIETARY}	<i>premarked</i>
2	Direct Testimony of Deborah M. Gilbertson and James M. King, with Attachments <i>[REDACTED - For PUBLIC Use]</i>	<i>premarked</i>
3	Revised Final Audit Report, 2022 Summer Cost of Gas Reconciliation, dated March 31, 2023 {CONFIDENTIAL & PROPRIETARY}	<i>premarked</i>
4	Revised Final Audit Report, 2022 Summer Cost of Gas Reconciliation, dated March 31, 2023 <i>[REDACTED - For PUBLIC Use]</i>	<i>premarked</i>
5	Revised schedules, Bates R022 through Bates R037 {CONFIDENTIAL & PROPRIETARY}	<i>premarked</i>
6	Revised Schedules, Bates R022 through Bates R037 <i>[REDACTED - For PUBLIC Use]</i>	<i>premarked</i>
7	Liberty's Responses to DOE Data Requests, Set 1, dated April 12 and April 14, 2023 (with revised response to DR 1-8 and without Attachment 1.2 (b) filed here as Exh. 3). See DOE cover letter for a list of DRs and corresponding topics. {CONFIDENTIAL & PROPRIETARY}	<i>premarked</i>

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E X H I B I T S

EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
8	Liberty's Responses to DOE Data Requests, Set 1, dated April 12 and April 14, 2023 (with revised response to DR 1-8 and without Attachment 1.2(b) filed here as Exh. 4 and without Attachment DOE 1-9.2.xlsx as all content appears confidential). See DOE cover letter for a list of DRs and corresponding topics. [REDACTED - For PUBLIC Use]	<i>premarked</i>
9	Illustrative tariffs, redlined and clean	<i>premarked</i>

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P R O C E E D I N G

CHAIRMAN GOLDNER: Okay. Good morning, everyone. I'm Commissioner Goldner. I'm joined today by Commissioner Chattopadhyay.

We're here this morning in Docket DG 23-034, in which the Commission docketed Liberty Utilities (EnergyNorth Natural Gas) 2023 Summer Cost of Gas filing. As stated on the March 30th, 2023, prehearing conference, the Commission's jurisdiction over this matter is based on the just and reasonable ratemaking standard of RSA 374:2 and RSA 378:7.

First, let's take appearances, beginning with the Company.

MR. SHEEHAN: Good morning, Commissioners. Mike Sheehan, for Liberty Utilities (EnergyNorth Natural Gas) Corp.

CHAIRMAN GOLDNER: Thank you. And is the OCA here today?

[No indication given.]

CHAIRMAN GOLDNER: No? Okay. And the Department of Energy?

MS. SCHWARZER: Good morning, Mr. Chairman. Mary Schwarzer, Staff Attorney with

1 the Department of Energy. And with me is our Gas
2 Director, Faisal Deen Arif.

3 CHAIRMAN GOLDNER: Thank you.

4 I'll note that we have prefiled and
5 premarked for identification Exhibits 1
6 through 9. Are there any preliminary matters
7 regarding these exhibits?

8 *[No verbal response.]*

9 CHAIRMAN GOLDNER: No? Seeing none.

10 We're expecting three witnesses today.
11 Do the parties intend to submit the three
12 witnesses as a panel, or will Liberty present its
13 witnesses, and then the DOE witness? I think I
14 know the answer to that, but --

15 MR. SHEEHAN: The former.

16 CHAIRMAN GOLDNER: The former.

17 MR. SHEEHAN: My understanding is that
18 Mr. Arif would be just commenting on some
19 high-level issues in response to our testimony.

20 CHAIRMAN GOLDNER: Okay. Very good.

21 MS. SCHWARZER: And, Mr. Chairman, I
22 would like the Department's position to be on the
23 record. So, he may make a very brief statement,
24 but not as part of a panel.

1 CHAIRMAN GOLDNER: Okay. Okay, and
2 would the Department be opposed to Mr. Arif
3 taking the stand after the Liberty witnesses?

4 MS. SCHWARZER: No, that would be our
5 preference as well. Thank you.

6 CHAIRMAN GOLDNER: Thank you. Okay.
7 Very good.

8 Okay. Anything marked as
9 "confidential" will be kept as confidential in
10 the hearing exhibits.

11 Are there any other preliminary matters
12 that we need to address, before we hear from the
13 witnesses?

14 MS. SCHWARZER: Mr. Chairman, I would
15 just say that, because Liberty has indicated that
16 the CNG per therm charges are confidential, there
17 may be, on occasion, answers that would reveal
18 that information. I don't see anyone in the
19 hearing room that is not permitted to hear that
20 confidential information. But I just want to
21 raise that for the Commission's consideration.

22 CHAIRMAN GOLDNER: Okay. Very good.
23 If there is anything confidential that's asked of
24 the witnesses, please notify the Commissioners

[WITNESS PANEL: Gilbertson|King]

1 and the Court Reporter, so that we can mark it as
2 "confidential".

3 Okay. Very good. Let's move on and
4 swear in the witnesses.

5 (Whereupon **DEBORAH M. GILBERTSON** and
6 **JAMES M. KING** were duly sworn by the
7 Court Reporter.)

8 CHAIRMAN GOLDNER: Okay. Very good.
9 We'll begin with direct, and Attorney Sheehan.

10 MR. SHEEHAN: Thank you.

11 **DEBORAH M. GILBERTSON, SWORN**

12 **JAMES M. KING, SWORN**

13 **DIRECT EXAMINATION**

14 BY MR. SHEEHAN:

15 Q Ms. Gilbertson, please introduce yourself and
16 describe your position with Liberty?

17 A (Gilbertson) My name is Debbie Gilbertson. I'm
18 the Senior Manager of Energy Procurement for
19 Liberty Utilities.

20 Q And, Ms. Gilbertson, did you prepare testimony
21 and schedules that have been marked initially as
22 "Exhibits 1" and "2", 1 confidential and 2
23 redacted, of the same documents?

24 A (Gilbertson) Yes.

[WITNESS PANEL: Gilbertson|King]

1 Q And we filed revised schedules on Friday, which
2 have been marked "5" and "6", confidential and
3 redacted. Did you participate in those revisions
4 or was that just Mr. King?

5 A (Gilbertson) That was just Mr. King.

6 Q Okay. So, as to Exhibits 1 and 2, the portions
7 you played a role in, do you have any changes
8 you'd like to point out to the Commission this
9 morning?

10 A (Gilbertson) Yes, I do.

11 Q And what would that be?

12 A (Gilbertson) On Bates Page 012, Lines 11 and 15,
13 the testimony references "Schedule J-1" and
14 "J-2"; it should be "D-1" and "D-2",
15 respectively.

16 Q Other than those changes, as to the portions of
17 the testimony and schedules you were responsible
18 for, do you have any further comments or changes
19 this morning?

20 A (Gilbertson) No.

21 Q And do you adopt your testimony and your work on
22 the schedules as your sworn testimony this
23 morning?

24 A (Gilbertson) Yes.

[WITNESS PANEL: Gilbertson|King]

1 Q And, just briefly, Ms. Gilbertson, at a high
2 level, this cost of gas docket, did it follow the
3 same process from your end as it has in years
4 prior?

5 A (Gilbertson) Yes.

6 Q Is there anything different that you did in
7 preparing and getting the gas for Keene and
8 preparing this filing than you've done in prior
9 years?

10 A (Gilbertson) No.

11 Q And can you just give us a brief comment on how
12 the market has changed from a year ago this time,
13 when we were doing a summer cost of gas for
14 Keene?

15 A (Gilbertson) The market has come down
16 considerably since last year at this time.

17 Q Okay. And Mr. King will have the rates itself,
18 the rates that we're proposing, but there has
19 been a significant change over the last twelve
20 months?

21 A (Gilbertson) Yes. I believe it's going down
22 about 35 percent.

23 Q Okay. Thank you. Mr. King, please introduce
24 yourself and your position with Liberty?

[WITNESS PANEL: Gilbertson|King]

1 A (King) James King, Analyst II, with Liberty
2 Utilities Service Company, in the Rates and
3 Regulatory Affairs Department.

4 Q And, Mr. King, you were also an author of the
5 testimony that's been marked as "Exhibits 1"
6 and "2", and the supporting schedules, both parts
7 of 1 and 2 and 5 and 6, is that correct?

8 A (King) That's correct, yes.

9 Q And do you have any changes, put aside the
10 changes that caused the filing of 5 and 6, we'll
11 talk about those in a minute, but any over
12 changes or corrections to your portion of the
13 testimony and schedules?

14 A (King) I do not, no.

15 Q And do you adopt those documents as your sworn
16 testimony this morning?

17 A (King) I do.

18 Q And could you explain for us what the reason was
19 for filing the revised schedules that have been
20 marked "5", confidential, and "6", redacted?

21 A (King) Yes. Certainly. There was a change the
22 Company made on Schedule N, and the figure from
23 Schedule N flows through to Schedule B, Page 1.
24 So, the changes we made on Schedule N were for

[WITNESS PANEL: Gilbertson|King]

1 the total 2023 projected costs for the
2 incremental difference of CNG and propane.

3 Q And what does Schedule N generally provide for?

4 A (King) Schedule N is the calculation and balance
5 of the costs that haven't been recovered or have
6 been recovered to form the incremental
7 CNG/propane differences.

8 Q And, just to remind the Commissioners, from a few
9 years ago, we were asked to separately track the
10 cost of CNG and propane, and share with customers
11 either the higher cost of CNG or the lower cost
12 of CNG, is that fair?

13 A (King) Yes.

14 Q And, although it seems a simple concept, it's
15 rather complicated to carry out, is that fair?

16 A (King) Yes. There's a lot of -- a lot of pieces
17 that need to go together.

18 Q And what was the piece that changed that caused
19 the revised exhibits?

20 A (King) So, as far of the Settlement Agreement,
21 one of the last lines is that -- so, it's fairly
22 lengthy, but it's just the last portion that we
23 have. So, I'll say the whole snippet from the
24 Settlement Agreement and talk about the change.

[WITNESS PANEL: Gilbertson|King]

1 "If the CNG supply cost is lower than the propane
2 supply cost, the Company shall recover and retain
3 full amount of the incrementally lower CNG supply
4 costs up to the amount of the incrementally
5 higher CNG costs accrued since the commencement
6 of CNG service, which have not been recovered
7 from customers, at which point the Company shall
8 recover and retain one-half of the incrementally
9 lower CNG supply costs."

10 In our original Schedule N, that last
11 part of the sentence, "retain one-half of the
12 incrementally lower CNG supply costs", the
13 Company didn't take half of that to put back into
14 the balance, we put the full amount into the
15 balance. So, the correction we made on
16 Schedule N was to reduce the amount for 2021 that
17 was going back into the balance.

18 Q So, there was a benefit, if you will, coming from
19 the CNG being lower cost than propane that should
20 have been shared 50/50 between the Company and
21 customers, and that originally you had allocated
22 it all to the Company?

23 A (King) That's correct.

24 Q Okay. And, by going back and allocating it

[WITNESS PANEL: Gilbertson|King]

1 50/50, as you say, that flowed through the
2 schedules, and it ends up causing a slight change
3 in the proposed rate?

4 A (King) Yes. There was about a \$1,100 difference
5 between the costs originally proposed and
6 proposed in the update.

7 Q So, looking at Exhibit 5, the confidential
8 revised schedules, the Company marked the entire
9 package of schedules, is that correct? Exhibit 5
10 contains all of the schedules?

11 A (King) Oh, yes. Yes.

12 Q The thought being, to prevent the need from
13 flipping back and forth between the original
14 filing and the revised, is that fair?

15 A (King) Yes.

16 Q But the only changes, as you say, were to
17 Schedules N and B?

18 A (King) Yes. There's one number that changed on N
19 that flowed through to one line item on
20 Schedule B.

21 Q Can you point the Commissioners to where, on
22 Exhibit 5, is the proposed cost of gas rate for
23 Keene, the final number that we're asking the
24 Commission to approve?

[WITNESS PANEL: Gilbertson|King]

1 A (King) Yes. On Schedule B, on -- whoops, sorry.
2 On Line -- sorry, it took me a second, on Line 26
3 of Schedule B, Page 1, is the rate that we're
4 currently proposing of "1.4795". The original
5 rate that we had proposed was "1.4761". So, it's
6 about a third of a penny difference between the
7 original and the updated.

8 Q Thank you. And, of course, in Keene, there's a
9 single cost of gas rate which blends the propane
10 and CNG costs?

11 A (King) Yes.

12 Q Did you adjust the bill impact calculation as
13 well?

14 A (King) Yes. So, inputting the new rates into the
15 bill impact, it's about a 13 percent difference
16 from last year's costs on the season.

17 Q And those numbers are?

18 A (King) For a residential customer with average
19 use, the total bill for last summer would have
20 been \$274, and this season the projected cost to
21 be \$238. So, there's about a \$36 difference
22 between the average bill last summer and this
23 summer.

24 Q Thank you. Turning back to you, Ms. Gilbertson.

[WITNESS PANEL: Gilbertson|King]

1 In the Order of Notice in this case, the
2 Commission specifically asked that we talk about
3 the Propane Stabilization Program. The Order
4 cited -- the Commission's recent Order cited some
5 of its earlier orders back in 2006 or so that
6 established the program. So, I'm just going to
7 ask you a couple questions on that.

8 Pulling up the Commission's procedural
9 order of April 4, and it says: "In Order Number
10 24,745", which is a 2007 order, "at Page 6, the
11 Commission states that it expects the Company to
12 "exercise its best judgment as to when and how
13 much propane to pre-purchase in any given year, a
14 key consideration being the reasonableness of the
15 premium". The Commission therefore expects that
16 Liberty-Keene will be prepared to discuss the use
17 of discretion in executing its Propane Purchasing
18 Stabilization Plan in 2023, as well as current
19 market conditions."

20 So, we did talk about this at the
21 prehearing conference, Ms. Gilbertson. But give
22 us sort of a high-level description of what the
23 Propane Purchasing Program is?

24 A (Gilbertson) Okay. The Propane Stabilization

[WITNESS PANEL: Gilbertson|King]

1 Plan is a -- it's a pre-purchase of winter
2 supplies in the summer. And the goal is to
3 ensure that we have adequate supply going into
4 the following winter. And what we do is we
5 purchase the physical supply in the summertime,
6 based on a schedule, about 700,000 gallons in
7 total, based on a schedule, which ensures that we
8 have the supply going into the winter season.
9 And what we do is we lock in the -- we look in a
10 price based on the Mont Belvieu forward prices
11 from November through April, plus a premium, a
12 basis premium.

13 Q Let me stop you there for a minute. So, at a
14 high level, you are buying the gas, committing to
15 it in the summer, to be available in the winter?

16 A (Gilbertson) That's right. And we're locking in
17 the price in the summer, --

18 Q Right.

19 A (Gilbertson) -- for readiness in the winter.

20 Q So, when the Plan is completed in the fall,
21 you're done making all these decisions, you now
22 have a commitment from suppliers to supply
23 700,000 gallons during the upcoming winter?

24 A (Gilbertson) That's right.

[WITNESS PANEL: Gilbertson|King]

1 Q And that's to avoid the possibility of having a
2 cold weekend and having those suppliers say "I
3 don't have any gas for you." That's what you're
4 trying to avoid?

5 A (Gilbertson) Yes. Keene has no storage. So, we
6 have to ensure that we have guaranteed supply in
7 the coming winter.

8 Q So, the second part of the Plan, as you were
9 starting to say is, is there is a pricing
10 mechanism that we have two components, one is the
11 forward market price, and the second is the cost
12 to get that price -- that gas to Keene, is that
13 correct?

14 A (Gilbertson) Correct.

15 Q And the price to get the Mont Belvieu priced gas
16 to Keene is the basis?

17 A (Gilbertson) That's correct.

18 Q So, if Mont Belvieu is a dollar, and the basis is
19 a dollar, you'll have a commitment for two dollar
20 gas in Keene?

21 A (Gilbertson) Theoretically, yes.

22 Q Okay. So, how do go about buying the gas over
23 the course of the summer to meet that 700,000
24 gallons?

[WITNESS PANEL: Gilbertson|King]

1 A (Gilbertson) So, there is a table, a structure,
2 that dictates how much gas per month you're going
3 to buy on the forward market, being November
4 through April. And once a month we tell the
5 supplier that won the bid to go out and purchase
6 that supply. At that day, they look at the Mont
7 Belvieu price for the winter strip, and they lock
8 it in. And you add that price to their basis
9 price, and that will be the price incrementally
10 per month, based on the forward pricing at Mont
11 Belvieu, for the total of that month. And you
12 would repeat that each month during this
13 six-month period.

14 Q So, you said you had a "supplier who has won the
15 bid"?

16 A (Gilbertson) Yes.

17 Q And am I correct in saying the bid that that
18 supplier won was the basis? They had the lowest
19 cost --

20 A (Gilbertson) That's correct.

21 Q -- to bring it to Keene?

22 A (Gilbertson) That is correct.

23 Q And, otherwise, the price floats with whatever
24 the market is telling you it's going to be in

[WITNESS PANEL: Gilbertson|King]

1 those futures?

2 A (Gilbertson) Yes.

3 Q So, again, for a simple example, the winning
4 supplier bid one dollar for basis, that supplier
5 is going to go look at Mont Belvieu to see what's
6 available in January, and add the one dollar to
7 that price, and that's what we pay?

8 A (Gilbertson) They're going to look at the strip
9 of November through April of Mont Belvieu, and
10 add that one dollar to every single one of those
11 forward price months.

12 Q Well, then, let's go back to the month-by-month.
13 On the first time you purchase, say it's once a
14 month, the Company is buying some gas for every
15 month of the winter period on that day?

16 A (Gilbertson) Yes.

17 Q And, then, the next month you buy a little bit
18 more gas for every month of the winter period?

19 A (Gilbertson) Yes.

20 Q And, when it all adds up, it's 700,000, allocated
21 month-by-month, as the Company -- based on
22 experience --

23 A (Gilbertson) Right.

24 Q -- of what we need?

[WITNESS PANEL: Gilbertson|King]

1 A (Gilbertson) Yes.

2 Q Okay. And has this program, what we just
3 discussed, changed at all in recent years?

4 A (Gilbertson) No. We've had a Purchase -- no.
5 Since we were, I guess, approved to have this
6 Stabilization Plan, we have had this
7 Stabilization Plan.

8 Q And this Stabilization Plan predates Liberty's
9 ownership of the Keene system, is that correct?

10 A (Gilbertson) Yes.

11 Q And, so, we have carried through what was
12 approved in these 2005, '06, '07 orders?

13 A (Gilbertson) Yes.

14 Q Have you, and Mr. Tilbury who is behind me, who
15 is part of your team, have you looked at it to
16 see if there is a better way to do this?

17 A (Gilbertson) We always look at it. Yes, we have
18 looked at it.

19 Q And?

20 A (Gilbertson) I believe the structure is a good
21 structure. It was put in place. It serves a
22 very good purpose. There's no speculation, it's
23 spread evenly across the summer period for the
24 winter purchases. There is variation between the

[WITNESS PANEL: Gilbertson|King]

1 months, we purchase a little bit more in April, a
2 little bit more in July. We could flatline that
3 a little better. I mean, there's no -- there's
4 no harm in that. We can't -- we don't predict
5 the market. I have looked back, April typically
6 is a little lower than the other months, but
7 that's not a guarantee.

8 So, there is room for improvement on
9 maybe the percentages that we purchase each
10 month, we could flatline it a little better. I
11 think, if we probably want to have a nice table,
12 that we could round it up to, you know, maybe 10
13 gallons. You don't want to have, like,
14 "116,666". You know, you just -- you want a nice
15 table, and so they can go out and purchase. But
16 there is a little wiggle-room I think there that
17 you could flatline it better.

18 Q And, by "flatlining", you are seeking to buy X
19 percent of that 700,000 each month?

20 A (Gilbertson) Yes. And, right now, we purchase
21 140,000 gallons in April and July, but we
22 purchase 105,000 gallons in the other four
23 months. What we could do, and still have a nice
24 table, is do 115,000 for five months, and 125,000

[WITNESS PANEL: Gilbertson|King]

1 on one month, or something similar.

2 Q Okay. Now, when the Company decides to make the
3 purchase for, say, April, as we hear in these
4 hearings, the price of propane changes every day.
5 How do you pick the day that you say "Go buy gas
6 today"?

7 A (Gilbertson) We have a consultant for other areas
8 where we hedge, and they watch the market for us.
9 So, when they indicate "today's the day", that's
10 the day we use.

11 Q So, again, you have a consultant who's trying to
12 predict what's obviously difficult to predict,
13 but that's their business, and they advise you on
14 what they think is the best day in April to buy
15 gas?

16 A (Gilbertson) Right.

17 Q Okay. And that's what you do?

18 A (Gilbertson) Yes.

19 Q And, then, you buy the percentage that you have
20 scheduled, as we just discussed?

21 A (Gilbertson) Yes.

22 Q And, then, May, the same process. They say
23 "May 12th is the day to buy", and --

24 A (Gilbertson) We contact the supplier, and they go

[WITNESS PANEL: Gilbertson|King]

1 out and purchase at that point.

2 Q And the last phrase in the Commission's
3 prehearing order was be prepared to discuss
4 "current market conditions". Can you tell us
5 what's happened, I asked you earlier the change
6 from last year to today, what's been happening in
7 the last couple weeks with pricing, from the time
8 we filed until today?

9 A (Gilbertson) The market is down, and mostly
10 because of the warm winter that -- I mean, summer
11 that we had -- winter that we had. Sorry.
12 There's a lot -- what the market does is it looks
13 at the five-year average, the storage, the end of
14 our storage average, and we're well above the
15 five-year average right now, which means that it
16 softens up the price. We're about 35 percent
17 lower than we were last year at this time. And
18 even between like the middle of last week, up
19 until like later last week, prices have changed.
20 Propane has stayed relatively stable since we
21 filed this docket, it's gone down about three
22 cents -- sorry, six -- four cents, and CNG has
23 gone down about, I have it backwards, sorry, --
24 Q A few cents either way?

[WITNESS PANEL: Gilbertson|King]

1 A (Gilbertson) Yes. Exactly.

2 Q Okay. And, as Ms. Schwarzer mentioned, the
3 Company does not plan to revise the rate proposed
4 today. We would address any fluctuations in
5 price with the usual monthly so-called "trigger"
6 filings?

7 A (Gilbertson) Correct.

8 MR. SHEEHAN: That's all I have. Thank
9 you.

10 CHAIRMAN GOLDNER: Thank you, Attorney
11 Sheehan. That was very helpful.

12 We'll turn to the Department of Energy.

13 MS. SCHWARZER: Thank you, Mr.
14 Chairman.

15 **CROSS-EXAMINATION**

16 BY MS. SCHWARZER:

17 Q Just a question for Mr. King to start. If I
18 direct your attention to Schedule N, Revised
19 Bates Page 032, and I'm going to have to get
20 there myself.

21 Sorry, it's taking me a little longer
22 than I thought. My mouse isn't doing what I'm
23 asking it to do.

24 CHAIRMAN GOLDNER: Attorney Schwarzer,

[WITNESS PANEL: Gilbertson|King]

1 I'm operating on a single cup of coffee. Can you
2 forward me to the exhibit and the Bates page.

3 MS. SCHWARZER: Certainly,
4 Mr. Chairman. It's Exhibit 5.

5 CHAIRMAN GOLDNER: Thank you.

6 MS. SCHWARZER: Which is the revised
7 schedule set. And Schedule N appears at the
8 Bates Page which has been marked "R032".

9 CHAIRMAN GOLDNER: Thank you very much.

10 MS. SCHWARZER: My pleasure. Sorry, my
11 mouse is just a little slow. Okay.

12 If the Commission is -- is everyone
13 available on that page? Okay.

14 BY MS. SCHWARZER:

15 Q Mr. King, I believe in testimony at one point you
16 said the change that had been made was to "2023
17 projected rates", and in another time you said it
18 was to "2021 projected rates", although the
19 actual calculation, not the projected. But my
20 memory may be wrong.

21 I just would like you to clarify for
22 the record, which summer period did the Company
23 make a change in with regard to going from the
24 incremental costs not recovered to half of that?

[WITNESS PANEL: Gilbertson|King]

1 A (King) So, the change was for a figure in 2021.
2 So, I guess both my statements were correct. The
3 change was for Column F, Line 6, originally, that
4 amount was the full, the full amount, so it was
5 "2,395", and we didn't reduce it originally by
6 half. So, the figure that's in there now, the
7 "\$1,198", for the savings that are still to be
8 addressed in a future period. So, that flows
9 through the next three years, which changes the
10 final amount in Column G, Line 6, for the 2023
11 projected.

12 Q Mr. King, is it also possible that a change was
13 made for Summer of 2022, which shows an
14 incremental costs not recoverable of "\$2,506"
15 that has been adjusted to "1,309"?

16 A (King) Yes. Correct. So, the change that we
17 made was for 2021, and that flows through that
18 table. So, yes, you are correct, that figure,
19 the "1,309", changed as well.

20 Q Okay. Thank you. And I believe this was stated
21 on direct, but the only changes made in the
22 revised schedules were made to Schedule B and N,
23 is that correct?

24 A (King) And the bill impacts as well.

[WITNESS PANEL: Gilbertson|King]

1 Q And which schedule is that?

2 A (King) The bill impacts for residential is
3 Schedule K, and the bill impact for commercial is
4 Schedule L.

5 Q Do you have the Bates page numbers for those,
6 just for the record?

7 A (King) I can get them. Bates Page 030 for the
8 residential, and Bates Page 031 for the
9 commercial schedule.

10 Q So, it's revised. So, "R030" and "R031" are the
11 Bates page numbers?

12 A (King) Yes.

13 Q Thank you. I have a question about the rate
14 impact per therm. Was that changed as a result
15 of the change in Schedules B and K and L?

16 A (King) Sorry, could you say that --

17 Q What was the rate change?

18 A (King) Oh, the rate change. So, originally
19 filed, the rate was 1.4761 cents per therm, and
20 the updated rate is 1.4795 per therm, is the
21 increase between those two.

22 Q Has Liberty checked the NYMEX rates since the
23 Petition was filed?

24 A (Gilbertson) Yes.

[WITNESS PANEL: Gilbertson|King]

1 Q And could you please tell me what you noted most
2 recently with regard to the price of CNG and
3 propane?

4 A (Gilbertson) Yes. So, they have both went down a
5 little bit. CNG went down four cents, and
6 propane went down three cents.

7 Q And, when you filed this originally, what were
8 the rates in relation to each other?

9 A (Gilbertson) Oh, I think it was 26 cents
10 difference between the two of them.

11 Q So, they're closer now?

12 A (Gilbertson) A little bit, yup. Yes.

13 Q Thank you. And when did you update that NYMEX
14 rate?

15 A (Gilbertson) I looked at it yesterday, which
16 would have been for Friday's close, NYMEX close.

17 Q And I believe you said this on direct, but just
18 for clarity and for the record. Does Liberty
19 believe it's necessary to adjust the rates, as
20 the result of checking the NYMEX figures?

21 A (Gilbertson) No.

22 Q And why not?

23 A (Gilbertson) Because it will change, number one.
24 And, during the trigger filings, we could, if the

[WITNESS PANEL: Gilbertson|King]

1 rate changes, we'll change it then.

2 Q And, again, just for the record, when you say the
3 "trigger filing", are you referring to the
4 standard Commission permission in the summer cost
5 of gas order that allows Liberty to increase the
6 cost by 25 percent in response to market
7 conditions, if it wishes to?

8 A (Gilbertson) Yes.

9 Q Thank you. Did the witnesses in the panel note
10 that, when the Department filed its exhibits, we
11 included in the cover letter a list of the data
12 requests by issue?

13 A (Gilbertson) Yes.

14 Q That may make the following questions easier.
15 I'm just going to get to my list.

16 Did the Department file a revised
17 audit, or perhaps Liberty actually did,
18 Exhibit --

19 MR. SHEEHAN: Yes. We filed the audit,
20 both confidential/redacted, as Exhibits 3 and 4.

21 MS. SCHWARZER: Thank you.

22 BY MS. SCHWARZER:

23 Q Did the revision to the audit include a
24 correction by the Department regarding the

[WITNESS PANEL: Gilbertson|King]

1 incremental cost of gas, if you know?

2 A (King) Can I ask what page you're referencing?

3 Q I believe Page 2 and 3 of confidential Exhibit 3.

4 And, so, I don't think -- I don't know if there's
5 a need to reference a number. But, if you were
6 to reference a number, it's confidential, based
7 upon what Liberty has told me here.

8 A (King) Sorry. And can you ask the question
9 again?

10 Q Sure. Was the revised audit filed in order to
11 change calculations regarding the incremental
12 cost of gas calculation and the over/under
13 figure?

14 A (King) I believe so. That was the Department's
15 Audit Staff that made the revision, in response
16 to our response to their audit issues.

17 Q And, if I could direct your attention back to
18 Schedule B, and Data Request -- sorry, I can't
19 open more than one thing on my -- Liberty's
20 response to DOE Data Request 1-3. In the past,
21 I believe Schedule B over/under figure has
22 matched the audit figure as of the end of
23 October 30th for the prior year that's
24 reconciled, pursuant to Liberty's filing of, for

[WITNESS PANEL: Gilbertson|King]

1 example here, the Summer of '22 Reconciliation
2 Report, is that correct?

3 A (King) Yes.

4 Q But, currently, the over/under figure, as
5 reflected in Schedule B, at least before the
6 updated schedules on Friday, was \$26,705, in
7 contrast to the audit's over/under balance as of
8 October 31st, 2022, of approximately \$13,000.
9 Could you please comment on why that difference
10 exists?

11 A (King) Yes, certainly. So, like you said, the
12 audit figures were for the ending balance as of
13 October 31st, 2022. If we were looking at
14 Schedule B, Page 2, what we included there was
15 the full -- full twelve months of the year.
16 Audit is looking at, in there, they're looking at
17 the final numbers for October of 2022. What this
18 schedule does is it shows the additional six
19 months in the year where activity is happening on
20 the cost of gas account, but wasn't necessarily
21 included in the audit at the end of October 2023.
22 So, it's taking into account that, you know, we
23 might have billed in the end of October, and
24 received the bill in November or December. So,

[WITNESS PANEL: Gilbertson|King]

1 those revenues will be reflected in the summer
2 cost of gas account. And that's in this, what we
3 showed here for both expenses and revenues that,
4 you know, despite the cost of gas season being
5 six months, there's still activity on the account
6 for the full year, for twelve months.

7 Q And is the bulk of the activity on that account
8 or the complete activity on the account related
9 to the allocation of demand costs over the winter
10 and summer periods, as directed in prior orders
11 at 75 percent and 25 percent?

12 A (King) Yes.

13 Q And could you please point out to us on the
14 revised Schedule B which line shows the
15 under/over calculation referenced in the
16 Company's response to DOE 1-3? Might it be
17 Line 36?

18 A (King) Sorry, I was just looking at DOE 1-3, to
19 make sure I was --

20 Q So, just for the record, in Exhibit 5, revised
21 Schedule B, and I'm sorry, my mouse is just not
22 moving. What is the Bates page number?

23 A (King) So, the final cumulative over/under for
24 the period from May 2022 to April 2023, final

[WITNESS PANEL: Gilbertson|King]

1 over/under balance we have is 26,705, which goes
2 into Schedule B for the projection of the next
3 six months.

4 Q And notwithstanding that Schedule B is revised,
5 that answer remains the same as the answer that
6 you made to Data Request 1-3?

7 A (King) That is correct. Yes, the schedule,
8 Page 2, didn't change with my corrections.

9 Q I'd like to ask you about the lost and
10 unaccounted-for gas figures.

11 A (King) Uh-huh.

12 Q And I believe on Liberty's response to Data
13 Request 1-8, could you please just share with the
14 Commission what the lost and unaccounted-for gas
15 figures are for propane separately, CNG
16 separately, and then the combined figure?

17 A (King) So, first of all, I'll start with the
18 combined, the combined lost and unaccounted-for
19 gas for both CNG and propane is 2.11 percent.
20 The lost and unaccounted-for for just propane is
21 1.91 percent. And calculation for CNG for lost
22 and unaccounted-for is 3.01 percent.

23 Q And is it fair to say that the CNG facility is
24 much newer than the air-propane facility?

[WITNESS PANEL: Gilbertson|King]

1 A (King) That is correct.

2 Q So, can you please explain why the CNG facility
3 has a higher loss percentage than the air-propane
4 facility?

5 A (King) So, just take that full term, "lost and
6 unaccounted-for". There's -- sure, there's the
7 loss factor that's included. But a larger
8 portion of this unaccounted-for is for various
9 reasons. Say it's a meter -- a meter is reading
10 wrong, it's not -- it's not calculating. And,
11 so, the difference for lost and unaccounted-for
12 is what gets sent out into the system verse
13 what's actually billed. So, there might be, you
14 know, a couple therms going into a house that the
15 meter isn't registering. So, there's various
16 reasons that there's differences in lost and
17 unaccounted-for, but not necessarily lost through
18 leaks, which I think is partially what you're
19 getting at.

20 Q Okay. And might one of the other reasons be a
21 delay in billing? Like you might bill at a
22 future time for what you have not accounted for
23 on a particular date that you issue the report?

24 A (King) Yes. That's correct as well.

[WITNESS PANEL: Gilbertson|King]

1 Q And, when -- how does Liberty check for pipe --
2 leaking pipes, and when is the most recent time
3 for CNG that that was done?

4 A (King) That's not part of my NOP *[sic]* --

5 MR. SHEEHAN: Yes, I'm getting a blank
6 look. The people who do the inspections are not
7 Mr. King or Ms. Gilbertson, of course. I did
8 have a back-and-forth with our Manager in Keene.
9 And he pointed me to the Puc Rules, 508.04, which
10 is actually two or three full pages of leak
11 survey requirements, so many times a year during
12 the winter, *et cetera, et cetera*. And Steve
13 Rokes told me we follow that to the T, and we
14 actually have a couple extra ones we do in Keene,
15 because propane is a little different than
16 natural gas.

17 So, to answer the question, I don't
18 know when the last one was done. I can report
19 that, with Safety oversight, we follow the 508.04
20 requirements.

21 CHAIRMAN GOLDNER: Is that
22 satisfactory, Ms. Schwarzer?

23 MS. SCHWARZER: Well, it does. Based
24 on information, I believe, in a tech session, I

[WITNESS PANEL: Gilbertson|King]

1 believe it was sometime in December, that's what
2 I was -- my understanding was.

3 But I don't -- if the witnesses don't
4 know, I don't know.

5 CHAIRMAN GOLDNER: Okay.

6 MS. SCHWARZER: But thank you.

7 CHAIRMAN GOLDNER: Okay.

8 BY MS. SCHWARZER:

9 Q The Company has discussed its propane hedging.
10 If I could just ask a question about the
11 reference to "we could flatline it better". The
12 Department had asked what the Company's plans
13 might be for 2004. What would -- would
14 "flatlining it better" have anything to do with
15 relating the percentages to market price, or are
16 you just looking for a more even table?

17 A (Gilbertson) A more even table.

18 Q So, the percentage change to perhaps one month
19 with 125, 125,000, and other months with 115,000,
20 is not related any understanding of market price
21 during the next summer period?

22 A (Gilbertson) It's not related to price. I mean,
23 there's no guarantee that you're going to get a
24 better price if you flatline it differently.

[WITNESS PANEL: Gilbertson|King]

1 Q No, I understand there's no guarantee. But I was
2 not understanding, if the Company is not going to
3 try to consider both stability and price, what
4 would "flatlining it better" mean?

5 A (Gilbertson) It would just mean "a more even
6 table". It doesn't -- it doesn't guarantee.
7 It's still -- neither way is wrong, it's just a
8 different way.

9 Q So, I'm sorry, better would just be a
10 mathematical proportion more evenly distributed?

11 A (Gilbertson) Yes.

12 Q Lastly, I'd like to direct the Company's
13 attention to testimony that referenced "Liberty
14 is contemplating buying RNG in a future period",
15 and those were the Company's responses, I
16 believe, to DOE 8 and 9, it may have been 9 and
17 10. Could the Company explain generically what
18 RNG it is considering purchasing, and why?

19 A (Gilbertson) As far as this next -- this upcoming
20 summer, there is no plans for RNG in the
21 foreseeable future. I do know that our Business
22 Development team has a dedicated person working
23 on Keene specifically, that project. I do also
24 know that they had put out some requests for

[WITNESS PANEL: Gilbertson|King]

1 proposals, and had gotten responses, which they
2 are analyzing, but they have not come to any
3 conclusion where they're going to move forward
4 with any of the bids that they have so far.

5 Q Is Liberty -- has Liberty narrowed the range of
6 RFP responses down to two potential bidders?

7 A (Gilbertson) I believe they have, but I'm not
8 100 percent sure. I believe that was a Business
9 Development answer.

10 Q So, directing everyone's attention to
11 confidential Exhibit 7, Liberty's response to
12 Data Request 1-9. This is confidential. Is one
13 of the bids Liberty is considering a bid from
14 _____?

15 CHAIRMAN GOLDNER: Attorney Schwarzer,
16 can you orient me to the Bates page please?

17 MS. SCHWARZER: I'd be happy to do
18 that. I need just a moment.

19 CHAIRMAN GOLDNER: Take your time.

20 MR. SHEEHAN: It's 015.

21 CHAIRMAN GOLDNER: Thank you.

22 MS. SCHWARZER: The Department also
23 filed a related live Excel spreadsheet that shows
24 a range of information for the bidders that

[WITNESS PANEL: Gilbertson|King]

1 responded to Liberty's RNG proposal, including
2 potential shared ownership status, just for the
3 record, noting that. A hardcopy printout is
4 included in the confidential exhibit, and the
5 live Excel spreadsheet was filed, but not marked
6 as an exhibit.

7 BY MS. SCHWARZER:

8 Q Okay. I'm getting to Page 15 myself, sorry for
9 the delay. So, looking at DOE 1-9, the Company's
10 response, the respondent was "Heather Tebbetts",
11 is that correct?

12 A (Gilbertson) Yes.

13 Q And, again confidential, the two bidders being
14 considered are _____ and _____?

15 A (Gilbertson) Yes.

16 Q And can you please tell me, is Liberty
17 considering purchasing what it calls "brown RNG"?

18 A (Gilbertson) I believe the answer is "yes" to
19 that.

20 Q And what is "brown RNG"?

21 A (Gilbertson) It is -- it is natural gas that's
22 achieved through renewables, maybe biomass or
23 landfill, but it doesn't have the credits, the --

24 Q The environmental attributes?

[WITNESS PANEL: Gilbertson|King]

1 A (Gilbertson) Yes. It's just gas. So, it's
2 cheaper, it's less money, because you don't have
3 the attributes.

4 Q And would RNG, even brown RNG, need to be
5 decompressed, before it could be put into a
6 pipeline?

7 A (Gilbertson) I don't know the answer to that.

8 Q Well, at a recent tech session was there a
9 discussion of Liberty potentially purchasing or
10 using a decompression facility in Concord or
11 Tilton?

12 A (Gilbertson) Yes.

13 Q And was that related to RNG?

14 A (Gilbertson) Yes. But that's not that all RNG
15 needs to be compressed. I don't know --

16 Q Decompressed?

17 A (Gilbertson) Well, it would have to be
18 compressed, before it was decompressed. So, I --

19 Q Oh, okay.

20 A (Gilbertson) I don't know.

21 Q Do you know if Liberty would need to use a
22 decompression facility to use the brown RNG
23 coming from _____?

24 A (Gilbertson) I don't know the answer to that.

[WITNESS PANEL: Gilbertson|King]

1 Q Do you know when RNG, brown or green, might be
2 contemplated for use in Keene and/or EnergyNorth?

3 A (Gilbertson) I don't know.

4 Q Based upon a recent discussion, is it possible
5 that Liberty suggested late December of 2023 or
6 early January of 2024?

7 A (Gilbertson) I'm not sure. I'm sorry.

8 Q Mr. King?

9 A (King) I don't know either.

10 MS. SCHWARZER: Could Liberty's counsel
11 be of assistance on that point?

12 MR. SHEEHAN: I'll testify again. I
13 think we are looking at RNG, and some of the
14 Business Development folks have said "it could
15 happen late this year." But it's not much more
16 definite than that.

17 BY MS. SCHWARZER:

18 Q And why is Liberty considering RNG potentially
19 for Keene?

20 A (Gilbertson) There's a project in Keene that is
21 to replace the propane, the propane-air facility.
22 And this has been going on for many years, my
23 understanding is. And it has started with
24 Phase I, which was the CNG at Monadnock Plaza.

[WITNESS PANEL: Gilbertson|King]

1 And the project, in future phases, had discussed
2 CNG, LNG, RNG, but I don't know the particulars
3 of those phases, or when that -- those phases are
4 going to take place.

5 Q Just a last question. In the opinion of both of
6 you, is Liberty's requested per them charge for
7 Keene, for the Summer of 2023, of 1.4795 just and
8 reasonable and in the public interest?

9 A (Gilbertson) Yes.

10 A (King) Yes.

11 MS. SCHWARZER: Thank you. The
12 Department has no more questions.

13 CHAIRMAN GOLDNER: Thank you. We'll
14 turn to Commissioner questions, and Commissioner
15 Chattopadhyay.

16 CMSR. CHATTOPADHYAY: Good morning.

17 WITNESS GILBERTSON: Good morning.

18 CMSR. CHATTOPADHYAY: So, let's first
19 wrap up the issue of RNG, while I'm able to
20 retain the thoughts better that way.

21 BY CMSR. CHATTOPADHYAY:

22 Q So, does the Company have any sense of when, if
23 it does materialize, the RNG, you know, option,
24 when will it be coming into the cost of gas

[WITNESS PANEL: Gilbertson|King]

1 filing in the future, or is it too early to EVEN
2 have a sense?

3 MR. SHEEHAN: I mean, I'll take that,
4 because these folks don't know.

5 CMSR. CHATTOPADHYAY: Sure.

6 MR. SHEEHAN: The BD folks are talking
7 to these two providers. We've had a number of
8 responses to our RFP, and these, for reasons I
9 don't know, these are the two best candidates
10 that they're talking to. I believe the reason is
11 some of the others were really not selling the
12 gas, they were just selling the attributes from
13 projects elsewhere in the country.

14 So, it's really just a question of "Can
15 we reach terms with these folks that work between
16 now and November, in order to have it part of
17 next winter's cost of gas?" If the price works,
18 and my understanding is the facility in New
19 Hampshire is running now, or will be running very
20 shortly, so they'll be making gas. As to whether
21 it, brown or green, is appropriate to include in
22 the cost of gas.

23 So, "it's possible" is the short answer
24 for this winter.

[WITNESS PANEL: Gilbertson|King]

1 CMSR. CHATTOPADHYAY: Okay.

2 MS. SCHWARZER: Mr. Chairman, I
3 apologize, but there was a question I meant to
4 ask about RNG that I did not ask. If I could ask
5 it at the end or --

6 CMSR. CHATTOPADHYAY: Sure. Go ahead.

7 MS. SCHWARZER: Thank you very much.

8 BY MS. SCHWARZER:

9 Q Are the witnesses aware whether Liberty has
10 contacted the Department of Energy's Enforcement
11 Division to discuss either pipeline quality RNG
12 assurances or the safety of any RNG facility,
13 including, but not limited to, a decompression
14 facility?

15 A (Gilbertson) I am not aware if the Business
16 Development team has contacted the Safety
17 Division. I don't know.

18 Q Mr. King?

19 A (King) I agree with her.

20 Q And I would direct you to Liberty's responses to
21 Data Request 1-10, when I believe Liberty's
22 answer was that "it had not."

23 A (Gilbertson) Okay.

24 Q And that is at Page -- in the confidential

[WITNESS PANEL: Gilbertson|King]

1 document, there's quite a jump of pages because
2 there's an RFP in between 9 and 10. Bates
3 Page -- it can't be 70 -- is it 074?

4 MR. ARIF: Seventy-four.

5 BY MS. SCHWARZER:

6 Q Seventy-four. If the witnesses could take a
7 quick look at Bates Page 074?

8 A (King) Is it just the response to DOE 1-10, yes?

9 Q Yes. So, just directing you to your answer, and
10 reading directly: "Liberty has not engaged with
11 the Department of Energy Enforcement Division."
12 Correct?

13 A (King) Yes.

14 MS. SCHWARZER: Thank you. And thank
15 you for that indulgence. No further questions.

16 CMSR. CHATTOPADHYAY: No issues.

17 BY CMSR. CHATTOPADHYAY:

18 Q So, I am trying to get a better sense of the PPSP
19 Plan, or PPSP Hedging Plan. So, just confirm
20 that what it is about is whenever the consultant
21 sort of looks at the data for a particular date,
22 and they trigger the purchases, the purchases are
23 going to happen for May through September,
24 correct? Or, is it April through --

[WITNESS PANEL: Gilbertson|King]

1 A (Gilbertson) The purchases are going to take
2 place from April through September, once a
3 month, --

4 Q Yes.

5 A (Gilbertson) -- for increments during the winter
6 period, November through April.

7 Q Okay. So, the supplies, I'm just trying to
8 understand, --

9 A (Gilbertson) Sure.

10 Q Supplies are, so, when you purchase something in,
11 let's say, April, --

12 A (Gilbertson) Yes.

13 Q -- okay, you're saying "I'm committing to", pure
14 example, "15,000 therms", right, just as an
15 example. Committing to purchase that in the
16 entire six months in the winter, or is it just
17 for, let's say, in November or December?

18 A (Gilbertson) It's for the entire six months in
19 the winter, in increments. It's not the full
20 amount for, say, November, December, or January.
21 It's just 10 percent of November, 12 percent of
22 December, and then, until you build it and you
23 get 100 percent all the way across the entire
24 summer period.

[WITNESS PANEL: Gilbertson|King]

1 Does that make sense?

2 Q So, just confirm, though, that I got it right or
3 not. So, let's say in that, in my example, you
4 purchased 15 -- you're committing 15,000, for the
5 entire winter, you purchase it in April, and we
6 are not talking about May, June, July, August,
7 September, just about April, that 15,000 is then
8 broken up into pieces percentagewise for the six
9 months in winter?

10 A (Gilbertson) Yes.

11 Q Okay. And that is what the consultant tells you
12 or is it part of the --

13 A (Gilbertson) The consultant --

14 Q -- that Liberty Utilities says that this is what
15 you're going to buy?

16 A (Gilbertson) No. The consultant just tells us
17 when the market has dipped, and that's when we go
18 out, and we have this predetermined amount, and
19 the supplier has it, too, and we say "Today's the
20 day, go get it."

21 Q So, the breakups are determined by Liberty
22 Utilities?

23 A (Gilbertson) Yes.

24 Q Okay. And, also, the consultant is told "700,000

[WITNESS PANEL: Gilbertson|King]

1 is what we need", correct?

2 A (Gilbertson) No.

3 Q Okay. So, how -- can you explain?

4 A (Gilbertson) The consultant is not -- is not
5 contracted by Keene. The consultant we use for
6 other territories. But the consultant is doing
7 what the consultant does best, and that's they
8 watch the market. And they know when the market
9 has dropped, or they tell us when is a good time
10 to get out there. That's what we pay them for.

11 Q I understand.

12 A (Gilbertson) So, when they say the day to go, to
13 do it, that's when we say to the supplier
14 "Trigger it and go get the April portion."

15 Q So, the other way to ask my question is, since
16 you mentioned just April, that 15,000 is purely
17 Liberty Utilities' call, and overall, when you
18 count everything total, in this case, is 700,000
19 for the entire winter, that's really Liberty
20 Utilities' call?

21 A (Gilbertson) Yes.

22 Q Have you considered asking the consultant what
23 would be the better approach for the next winter,
24 in terms of also the quantities that you can buy?

[WITNESS PANEL: Gilbertson|King]

1 A (Gilbertson) The consultant is only the price.
2 They don't know the property, they don't know
3 what our business is. They just know when the
4 price has fallen, and then they tell us. They
5 don't care about our spreadsheet.

6 Q So, the answer is that you -- you haven't
7 considered even talking to a consultant, and
8 seeing whether there might be other degrees of
9 freedom, in terms of the quantity that needs to
10 be purchased next winter?

11 A (Gilbertson) Typically, we try to purchase 65
12 percent before going into the winter. This
13 program serves to capture much of that. We also
14 have the Amherst Tank, that is shared by
15 EnergyNorth and Keene, and that also represents a
16 portion of that 65 percent.

17 If you hedge too much, it's bad,
18 because you have to take it. And, in a warm
19 winter, such as the one we just got through, we
20 were able to take all of this propane, but we
21 didn't have to buy a lot of spot propane. So, in
22 other words, we were close. You don't want to
23 hedge too much. Sixty-five (65) percent is a
24 good amount. And we use that with other

[WITNESS PANEL: Gilbertson|King]

1 territories as well.

2 Q Is it possible that 65 percent is too much, given
3 how the markets are expected to play out in a
4 particular, you know, point in time?

5 A (Gilbertson) Well, with Keene, everything is
6 based on trucking. So, it's not just the
7 commodity. You want to make sure you have
8 enough, and I think 65 percent is a good number.
9 But it's the trucking. I mean, years ago, they
10 could go out and buy spot gas, have no problem.
11 But the trucking is in big competition now with
12 other LDCs. Because not only is propane trucked,
13 so is LNG, and trucking has become an issue in
14 the industry. So, locking in and guaranteeing
15 that you have 65 percent showing up is very, very
16 important. And this is a delivered product. So,
17 it's guaranteed to show up, barring any *force*
18 *majeure* or --

19 Q Okay. So, there's another thing that I need to
20 understand, which is, let's say you purchased
21 125,000, you know, in May, okay? When you are
22 into the winter, you have storage capacity,
23 right? You can -- is it possible that you
24 purchase too much, and you haven't used enough

[WITNESS PANEL: Gilbertson|King]

1 for a particular month, let's say, January, then
2 you have to -- you ended up buying a lot more,
3 you can play with that and put that in storage,
4 and, you know, that's -- trying to understand, is
5 there wiggle-room there?

6 A (Gilbertson) So, the way the table works is it,
7 in total, --

8 Q Yes.

9 A (Gilbertson) -- it's got a load shape. So, in
10 November, for instance, of the 700,000, only 13
11 percent is November. December is, and I actually
12 have this, December is 20 percent, January is 24
13 percent, and this would be 65 percent for each
14 month, because it follows the load shape.

15 So, we have not run into a problem.
16 And, if we were going to run into a problem, it
17 would have been last winter, because it was so
18 warm. That's why 65 percent is good, because it
19 keeps you below, it allows for, if it is a warm
20 winter, you're not taking 100 percent, you can
21 still take it all, but you just don't have to buy
22 as much spot.

23 Q As you are -- I'm sorry. Sorry. As you are
24 planning for the next winter, you have done the

[WITNESS PANEL: Gilbertson|King]

1 analysis to, and just confirm this, have you done
2 any analysis on what is the premium?

3 A (Gilbertson) Yes.

4 Q Is the 13.4 percent, is that what it is, or that
5 was for the previous year? And, so, I'm confused
6 a little bit. When you go to Schedule D, I think
7 it was, let me go there.

8 A (Gilbertson) D-1.

9 Q D-1, D-2.

10 A (Gilbertson) D-1.

11 Q D-1.

12 A (Gilbertson) So, what D-1 does, and, so, this was
13 last year.

14 Q Uh-huh.

15 A (Gilbertson) And, if you look at April, the April
16 Mont Belvieu price, that's the forward strip of
17 what we purchased in April, I believe it was
18 140,000 gallons. That's the weighted average
19 price at Mont Belvieu for that forward November
20 through April strip.

21 And, so, the following columns are
22 the -- the broken down, say, basis. I mean, we
23 know what the pipeline rate is, because they have
24 a tariff, and we use that rate. There's a broker

[WITNESS PANEL: Gilbertson|King]

1 and supplier fee, which at the terminals you know
2 that they're going to get a cut, and we don't
3 know exactly what that is, but a conservative
4 number. Then, there's a PERC fee, there's
5 trucking, and trucking from -- from Selkirk to
6 Keene. And then, you get a Keene price of
7 what -- if we went out and we bought that same
8 strip at that same time, with all those
9 incremental fees, what would that price have been
10 on that, at that same time?

11 And what it shows us is that, if you're
12 still -- we're looking at still that April strip,
13 we would have paid \$1.06 -- 1.648. But the Plan
14 price was less. So, the basis, in other words,
15 is less than those total incremental charges,
16 which is the pipeline, the broker fee, the PERC
17 fee, the trucking, so -- by 11 percent.

18 And that's what that particular
19 schedule serves to show is that, did that
20 premium -- does that really -- is it close to
21 what those costs would have been, and is it
22 reasonable? And, yes, it is.

23 Q So, can you explain what's going on in D-2, like
24 you have a 13.4 percent? Is that for the future,

[WITNESS PANEL: Gilbertson|King]

1 right?

2 A (Gilbertson) Yes. So, last year, when the
3 program was finished, and all the hedging had
4 been accomplished, the contract price was what
5 you see in Column 1, without saying it out loud.
6 And you see the volumes that were used in
7 November, December, and January, because that's
8 our load shape. That was at the contract -- that
9 was the price at the contract price.

10 But, if you see in Column 4, you can
11 see that the average cost, when we really did get
12 to November, was lower. And what that tells us
13 is that, when we were hedging over the summer
14 period, prices were high, and we locked in at the
15 market price at that time. But, when November
16 materialized, November was less money. So, the
17 program didn't win, in other words. But, I mean,
18 it did, because you got your supply, and you
19 certainly need to have that guaranteed supply,
20 but it didn't net a savings.

21 Q So, do you, and I'm just -- really, where I was
22 going was, that 13.4 percent calculation, you do
23 that every time you come up with the cost of gas
24 filing, right?

[WITNESS PANEL: Gilbertson|King]

1 A (Gilbertson) Yes. We're just looking at last
2 year, you know, the spot versus the --

3 Q But do you do it like previously, in the cost of
4 gas filing, have you done that same thing?

5 A (Gilbertson) Yes, every time.

6 Q And do you have a sense of how this 13.4 percent
7 compared with the other?

8 A (Gilbertson) It's usually not -- it's usually a
9 credit. It's usually -- we usually do better.
10 This was an example of when it didn't, we didn't
11 gain on this; we lost on it. But, most other
12 years, there's a gain there.

13 Q So, would you, if this is what you witnessed,
14 would you be worried about what you should be
15 doing going forward the next time around, and
16 sort of think about triggering the use of this
17 hedging mechanism in a different way, to balance
18 the idea of sort of having less volatility, and
19 as well as, you know, ultimately, this is about
20 ratepayers paying the costs.

21 So, I'm trying to -- what I'm trying to
22 understand is, does this analysis help you in any
23 way to figure out whether there are needs to
24 change the hedging approach?

[WITNESS PANEL: Gilbertson|King]

1 A (Gilbertson) I think this is necessary to track.
2 But I don't think this would say -- we would say
3 "Oh, let's not do this." Or, "Let's buy it all
4 in one month." Or, let's -- you have to have a
5 supply. And, as I said, the trucking is so
6 critical right now, that the guaranteed delivery
7 of that supply is equally as important as the
8 supply itself.

9 I believe in this program. I think
10 it's a good program. I believe, years ago, they
11 used to buy it, like, maybe in one month or in
12 two months. And the Commission said "Gee, you're
13 speculating. Maybe you want to do this more
14 uniformly, and not try to speculate, because, in
15 a falling market, the customers will end up
16 paying more."

17 Q So, as I see you have an opinion about that that
18 65 percent is a good number. What I'm trying to
19 drive at is, there should be some analysis to
20 support that number. And it's possible that,
21 given the market realities, that number may not
22 be the best number. It may be 55 percent this
23 time around. So, there should be some
24 variability to the percentage that you buy, and

[WITNESS PANEL: Gilbertson|King]

1 yet you may not have issues with trucking.

2 So, that's where I'm trying to go. So,
3 again, I understand your points, though, what
4 you're saying.

5 A (Gilbertson) It is based on a normalized
6 forecast. So, everything is based on normalized
7 forecast.

8 Q Okay. So, let's go to Schedule B, Page 2, and I
9 am going to be looking at the Excel file. And
10 the latest was I think filed on the -- it says
11 "2023-04-13 UPDATE". And I think we looked at
12 the prices. So, this is a consistent -- this is
13 a file that we should be looking at. And, so,
14 this Page 2 is where the number "26,705" appears,
15 correct?

16 A (King) That's correct.

17 Q Okay.

18 MS. SCHWARZER: I'm sorry, Commissioner
19 Chattopadhyay. On Page 2, I'm not seeing the
20 number "26,705". I thought that was on Page 1.

21 CMSR. CHATTOPADHYAY: It is -- it does
22 appear, if you have the Excel file, if you go to
23 Page 2, it does appear, I'll give you the exact
24 cell number, it's O87, Excel reference.

[WITNESS PANEL: Gilbertson|King]

1 MS. SCHWARZER: Thank you. Thank you
2 very much.

3 BY CMSR. CHATTOPADHYAY:

4 Q So, this is a little bit baffling to me, so I'm
5 just trying to understand it, okay. So,
6 conceptually, you are looking at the costs,
7 you're looking at what the revenues are.

8 A (King) Uh-huh.

9 Q Correct? I'm just --

10 A (King) Yes.

11 Q Okay. And, when you look at the costs, okay, the
12 Commission had said 25/75 would be the way the
13 demand charges would be split, as far as the CNG
14 cost is concerned, correct?

15 A (King) Correct.

16 Q So, if you're thinking about what the costs were
17 for summer, based on what the Commission had
18 ordered previously, if I go to the Company's
19 Line 13, where the "CNG Demand Charges" are
20 appearing, I would, instead of using "2,292", it
21 just -- I would use what was allocated to that
22 month. So, it was, for summer, you have six
23 months to recover the demand charges. That's
24 your cost. So, to me, this appears a little bit

[WITNESS PANEL: Gilbertson|King]

1 off.

2 And I know that the previous iteration,
3 last year's cost of gas filing, there was this
4 issue that the dollar was lumped into October to
5 take care of it. But this, it seems a little bit
6 off.

7 Can you just provide some explanation
8 why you're doing it this way?

9 A (King) Yes. So, Schedule B was to just show the
10 full twelve months, and what occurs each month
11 for the summer cost of gas, outside of the season
12 that was audited. I'm sorry, I just jumped
13 pages.

14 So, like you were saying, the amount
15 should be recovered in the six months. If you
16 look, so, on Schedule B, 2, it's brought out to
17 twelve months to show the total figure in Column
18 14, which is the 25 percent of the total amount
19 for CNG demand.

20 If you go to Schedule B, Page 1,
21 Line 11, we show that as being recovered in the
22 six months. So, we're showing that, despite
23 it -- despite the charges are being recorded over
24 twelve months, the amount is responsible for six

[WITNESS PANEL: Gilbertson|King]

1 months.

2 Q I don't have an issue with this page and how
3 you're going to recover it. What I'm concerned
4 about, if you go back to Page 2, this is
5 reporting the reconciliation for the previous.

6 A (King) Uh-huh.

7 Q And I think the -- I don't understand why the
8 number, for example, in cell -- Excel cell D35,
9 shouldn't be double the amount of that, and it
10 goes for six months like that, and then it's zero
11 for the rest of the months. And this is because
12 it's the idea looking at what your costs were and
13 what are your revenues during the period. And
14 then, what -- that's what I'm trying to
15 understand.

16 And, so, I'm not -- I think the rest of
17 it is done fine. So, when you're -- you're still
18 using that _____, whatever, plus. Is that a
19 confidential number? Sorry. But, you know,
20 you're using that in other places, I have no
21 issues. Here, I'm just raising the point, this
22 could be done differently.

23 And what that means is, ultimately, the
24 numbers that appear in Row 87 would be different,

[WITNESS PANEL: Gilbertson|King]

1 okay? In fact, the numbers would be different
2 even in Row 83, and both are Excel, you know,
3 references. So, and it probably wouldn't change
4 things too much, but, conceptually, that is, to
5 me, the right approach.

6 A (King) Uh-huh. Okay.

7 Q Because, otherwise, for example, if I raise the
8 question of in winter, too, you have to do it for
9 six months, and you're going to spread it out for
10 twelve months. Essentially, you're saying you
11 have, you know, both summer and winter, you're
12 recovering the same amounts. I'm not saying
13 that's what you're doing. That wouldn't make
14 sense, because the 25/75 was driven by some
15 consideration.

16 The way it appears here, it would be
17 12. -- you know, it's 12.5 percent, and rest of
18 it is winter. I just don't like that appearance.
19 So, it's something to consider.

20 A (King) Correct.

21 Q Okay.

22 A (King) And it was almost the reverse
23 consideration of why we expanded this schedule
24 for the additional six months, is to show that,

[WITNESS PANEL: Gilbertson|King]

1 despite the costs occurring in six months,
2 they're recorded over twelve.

3 Q Yes. But, if you were recording the costs, it
4 would still be, because those costs are meant to
5 be recovered during the six summer months, should
6 be recorded there. You may have a point, in
7 terms of the revenue, because that was included
8 in the rates previously. And until you, you
9 know, change it, it's there. So, maybe we go
10 into May, it will be there. But that's not the
11 issue here.

12 So, really, I'd like, you know, this
13 is -- I'm going to ask the same question perhaps
14 for DOE, but it's a little bit confusing.

15 A (Gilbertson) I think the reason that it's like
16 this is because it's invoiced twelve months, at a
17 certain dollar amount. They don't break it out
18 on the invoice, we do that ourselves. So, we get
19 an invoice twelve times a year. And I believe
20 that's why this summer period reconciliation
21 shows that, over the whole twelve months, it does
22 add up to the 25 percent. Because this is -- but
23 we do get invoiced in February, and through the
24 winter, too. The invoice doesn't break it out

[WITNESS PANEL: Gilbertson|King]

1 for us.

2 And that might be the reason. I mean,

3 I could be wrong, but --

4 A (King) Ms. Gilbertson is correct.

5 Q Yes. But, even then, there are lots of
6 mismatches that you deal with. The point I'm
7 making is, this is about recognizing that 25
8 percent of that entire cost is allocated to
9 summer as costs. And, so, that's why this is a
10 little, you know, difficult to think through and
11 be at a perfect place.

12 A (Gilbertson) Maybe this is separate, because this
13 doesn't necessarily create the rate, but the
14 other one does.

15 Q But this does end up informing the
16 over-/under-collection amount, because,
17 ultimately, interest rates also appear there and
18 things like that. So, this does, and it may be
19 minor, but it does impact, it seems to me.

20 Okay. I think --

21 A (King) And Schedule B, 1, will all be reconciled
22 at the end of the period. So, once we go for
23 reconciliation, Schedule B will look more like
24 Page 2 than Page 1, with it broken out for the

[WITNESS PANEL: Gilbertson|King]

1 whole year.

2 Q Yes. I think, ultimately, you have to explain to
3 me better why you're doing this. And the point
4 I'm trying to make is, the under- or
5 over-collection does appear, you know, in the big
6 scheme of things, and there interest rates matter
7 and all of that. So, this may be not a big
8 issue. But, still, I am -- I like to make sure
9 that, you know, things are being done accurately
10 to the best of my knowledge. This is a little
11 something that seems off. So, that's the
12 comments there, okay?

13 So, if you go to the -- I forget what
14 exhibit it would be, the Audit Report, and Page
15 2, says something to the effect of "The 2021
16 incremental summer gas costs were estimated
17 because the Company did not yet have the actual
18 costs when the Settlement Agreement was reached
19 for March/April 2021. The Company provided only
20 to Audit an updated Appendix 4 for incremental
21 gas costs incurred through Summer 2022. The
22 Summer 2022 incremental gas costs were estimated
23 to be a \$10,631 customer charge."

24 So, my very quick question is, did the

[WITNESS PANEL: Gilbertson|King]

1 Company provide actual costs to the Audit
2 Division later?

3 A (King) Yes. And I believe that 10,000 figure is
4 correct. That was the amount.

5 Q Okay. That was the actual?

6 A (King) Yes.

7 Q Okay.

8 A (King) The only line that should have been
9 forecasted in that table would be that last line,
10 that says the "DG 015 forecast" [sic].

11 Q Okay.

12 A (King) So, that ended up being -- prices ended up
13 switching on that. So, we had forecasted a
14 savings, and it ended up being a cost per the
15 actuals.

16 CMSR. CHATTOPADHYAY: Thank you.

17 That's all I have.

18 CHAIRMAN GOLDNER: Okay. I think now
19 would be -- I don't think we have much left, my
20 questions are minimal. But let's take a brief
21 break for the Court Reporter. And let's return
22 at 10 till. Okay. Thank you.

23 *(Recess taken at 10:26 a.m., and the*
24 *hearing resumed at 10:40 a.m.)*

[WITNESS PANEL: Gilbertson|King]

1 CHAIRMAN GOLDNER: Okay. We'll go back
2 on the record, and pick up with Commissioner
3 questions. I just have a single question, and
4 then we can move to redirect.

5 BY CHAIRMAN GOLDNER:

6 Q So, my question for the witnesses, and, please,
7 anyone can answer, are there any degrees of
8 freedom, you know, from the Commission, that
9 Liberty would request to enable a lower price?
10 In other words, have we, at the Commission, put
11 you under constraints that you wish to be
12 relieved from? Or, do you feel like you have all
13 the tools you need to get the lowest price in the
14 market, given all the considerations that you
15 have to deal with, with trucking and so forth?

16 A (Gilbertson) I don't think the Commission has put
17 us under any constraints.

18 Q Okay.

19 A (Gilbertson) I think we've got the tools we need
20 to go out and get the least-cost supplies for the
21 customers.

22 CHAIRMAN GOLDNER: Okay. Thank you.
23 And my encouragement would be, in the future, if
24 there is something that you would like to bring

[WITNESS PANEL: Gilbertson|King]

1 to our attention, please, please do so, and we'd
2 be happy to take a look at that.

3 Okay. Very good. Anything else,
4 Commissioner Chattopadhyay, that you'd like to
5 follow up on?

6 CMSR. CHATTOPADHYAY: No.

7 CHAIRMAN GOLDNER: Very good. Let's
8 move to redirect, and Attorney Sheehan.

9 **REDIRECT EXAMINATION**

10 BY MR. SHEEHAN:

11 Q I just have one question on the discussion over
12 the 65 percent being the target for the Propane
13 Purchasing Plan, which is essentially the hedge
14 that Keene Division uses for the winter, is that
15 correct?

16 A (Gilbertson) Yes.

17 Q Is that figure, 65 percent, a common hedging
18 target for other gas utilities, to your
19 knowledge?

20 A (Gilbertson) Yes, it is.

21 Q And who do you talk to? I mean, you say -- my
22 question was in the industry, and you said "yes".
23 What's that based on? You know, what context do
24 you have, what experience do you have with other

[WITNESS PANEL: Gilbertson|King]

1 companies?

2 A (Gilbertson) Well, I've work for many other
3 companies over my career, I guess, I don't even
4 want to say how many years in the industry, let's
5 just say "more than 20". And, yes, that is
6 common, to -- you want to lock in your supply
7 anywhere between 50 and 75 percent, in other
8 areas, such as Missouri, Iowa, Illinois, Georgia,
9 this is -- we hedge at those percentages in those
10 areas. But those areas have storage, and this is
11 a physical supply. This is not -- this is not
12 just a financial hedge. It's absolutely
13 necessary to have the supply. So, 65 percent,
14 for this property, is a good number. It's been
15 the same number for quite some time, and the
16 property hasn't changed that much. It's the same
17 number of customers, it's basically the same
18 forecast each -- for each period.

19 It's not broken. I wouldn't fix it.

20 Q You listed some states. Those are Liberty
21 affiliates that are gas companies?

22 A (Gilbertson) Yes. Yes.

23 Q And your team, although based here in New
24 Hampshire time, serves those companies the same

[WITNESS PANEL: Gilbertson|King]

1 function you serve here for Keene, is that
2 correct?

3 A (Gilbertson) Yes.

4 Q You buy the gas, you appear at the cost of gas
5 hearings for those Commissions, *et cetera*, is
6 that right?

7 A (Gilbertson) Well, we have other people, I don't
8 necessarily do, but our team does, yes.

9 Q And the other two that I think you didn't
10 mention, there's a small gas utility in New York
11 State, St. Lawrence, and another --

12 A (Gilbertson) And New Brunswick Gas as well, yes.

13 Q And they all have hedging targets that are more
14 or less the same, is that true?

15 A (Gilbertson) Yes.

16 Q And, in your contacts with colleagues in other
17 utilities, do you talk to them about these kinds
18 of issues, you know, Northern, or the colleagues
19 outside of Georgia or New York or the like?

20 A (Gilbertson) National Grid, I worked for National
21 Grid for five years.

22 Q Okay.

23 A (Gilbertson) Seven years, actually.

24 Q I guess I'm just getting to the point, it's not

[WITNESS PANEL: Gilbertson|King]

1 Debbie's opinion that "65 percent is a good
2 number", it really is an industry, as you say,
3 between 50 and 75, depending on the particulars
4 of that company, those are common targets?

5 A (Gilbertson) That's normal, yes.

6 MR. SHEEHAN: Thank you. That's all I
7 have.

8 CHAIRMAN GOLDNER: Thank you. The
9 witnesses are excused. You can join the hearing
10 room, if you'd like. And, once you're settled
11 in, the DOE, I assume you would like to put your
12 witness on the stand, Attorney Schwarzer?

13 MS. SCHWARZER: I would. Thank you,
14 Mr. Chairman.

15 CHAIRMAN GOLDNER: Thank you.

16 *[Short pause.]*

17 CHAIRMAN GOLDNER: All right, everyone.
18 Let's settle back in.

19 Would you please swear in the witness,
20 Mr. Patnaude.

21 (Whereupon **FAISAL DEEN ARIF** was duly
22 sworn by the Court Reporter.)

23 CHAIRMAN GOLDNER: All right. Attorney
24 Schwarzer, please proceed.

[WITNESS: Arif]

1 MS. SCHWARZER: Thank you.

2 **FAISAL DEEN ARIF, SWORN**

3 **DIRECT EXAMINATION**

4 BY MS. SCHWARZER:

5 Q Would you please introduce yourself for the
6 record?

7 A My name is Faisal Deen Arif. I am the Gas
8 Director at the New Hampshire Department of
9 Energy.

10 Q And if you could give us a very brief summary of
11 your educational background?

12 A I have a Doctor of Philosophy in Economics, with
13 specialization in Regulatory Economics.

14 Q Thank you. And did you file -- have you
15 testified before the Commission before?

16 A I have.

17 Q Did you file testimony in this particular docket?

18 A I did not.

19 Q So, I'm going to direct your attention to
20 Liberty's response to DOE 1-3, having to do with
21 the difference between the over and under
22 calculation, comparing the audit number of
23 approximately, these are confidential, I believe,
24 13,000 to 26,705. Do you remember the discussion

[WITNESS: Arif]

1 among the Commissioners and the Company witnesses
2 on that topic?

3 A I do.

4 Q What could be the reason for the Company posting
5 demand charges equally, as they do, on
6 Schedule B, Page 2, specifically as reflected in
7 the live Excel spreadsheets?

8 A I believe, if my memory serves well, the
9 witnesses for the Company was alluding to the
10 fact that this is fixed for a 12-month period,
11 and the accounting is done by distributing the
12 12-month period sum equally over 12 months. I
13 understand that that is an accounting feature. I
14 cannot speak to what the Company does and why
15 they do the way they do accounting.

16 But, for verification purposes, both
17 from audit perspective and regulatory
18 perspective, it is extremely important for the
19 Department to be able to look through the books
20 and the numbers that sort of speak to each other,
21 so that we can verify and form our opinion.

22 If I take the words of the Company the
23 way they have explained it, it's the billing
24 feature, it's how it's been done. Then, it makes

[WITNESS: Arif]

1 somewhat -- it makes sense to me.

2 Q Is it your understanding that, with regard to CNG
3 demand charges, the summer period, pursuant to
4 Commission order, pays 25 percent of those
5 charges?

6 A Yes.

7 Q And, in contrast, the winter period pays 75
8 percent of those charges, correct?

9 A Yes.

10 Q And, in terms of the demand charges, and I
11 believe this is confidential, for the sake of
12 argument, hypothetically, let's say they're
13 \$110,000. The winter -- the equal division of a
14 monthly bill would not permit a 75 percent
15 allocation from that bill?

16 A It would, if you are separating them, and then
17 reallocating over the 12-month period, if that
18 makes sense.

19 Q But would it have permit it over a 6-month
20 period?

21 A It would, yes.

22 Q Can you explain that a bit more?

23 A I think that's what -- that is the whole purpose
24 of Page 2 of Schedule B that we're looking at.

[WITNESS: Arif]

1 I, as you probably we all can recall, I
2 have joined the Department since June of 2022.
3 So, it's fairly recent. One of the challenges
4 that I was facing, when I looked at the similar
5 figures from the past, was to reconcile the very
6 last amount that sort of comes up as a prior
7 period balance. Because of the billing feature,
8 or whatever accounting practices that is at the
9 end of the Company, I was not -- there is -- if
10 it's done differently, a significant adjustment
11 comes right at the end that sort of makes the
12 prior period balance.

13 And, for forecasting purposes, for
14 ratemaking purposes, that prior period balance is
15 an important number. And, without having a very
16 good understanding of that prior period balance,
17 it's -- the thought came to my mind is anybody's
18 guess. I did not want to dwell in that, and I
19 wanted to have a pretty thorough understanding,
20 which I could not, when I was looking at other
21 past submissions. Excuse me. So, I had a
22 conversation with the Company to better
23 understand how things are done at their end.

24 And I believe that this Page 2 is the

[WITNESS: Arif]

1 ramification of that conversation.

2 Q Moving on. In this particular docket, Keene is
3 divided into both a winter and a summer cost of
4 gas, distinct from EnergyNorth, which is an
5 annual cost of gas, correct?

6 A That is correct.

7 Q Is the benefit of the summer cost of gas that
8 there is an ability to review both propane
9 hedging and contract plans, including,
10 essentially, CNG and RNG in advance of the fall
11 period?

12 A I believe it does.

13 Q Are there any other advantages to keeping Liberty
14 separate into a winter and summer cost of gas
15 docket?

16 A There are multiple reasons why, in my view, I
17 think it's preferable to have it separate. It
18 sort of boils down to two factors, essentially.

19 One is the principle of maximizing the
20 use of known information, as opposed to predicted
21 information. The nature of the business is as
22 such that we cannot ever get away from
23 prediction. However, we should also try, in my
24 view, to maximize the use of known information.

[WITNESS: Arif]

1 And the way, if we keep it separate, we have the
2 benefit of maximizing it, or using known
3 information more, as opposed to just doing it
4 once in every 12-month period.

5 The other issue is the volatility in
6 the market. I think it's fair to say, at least
7 in my review and judgment, that last winter --
8 last summer the gas prices were extremely
9 volatile in the market. And the 12-month period,
10 with the higher degree of volatility, does not
11 serve well the purpose of doing meaningful
12 prediction that would withstand the test at the
13 end of the period, when everything becomes known.

14 Q Thank you. You were present and heard the
15 Company's testimony about its potential use of
16 brown RNG?

17 A I did.

18 Q At this -- does the Department at this time have
19 an opinion about the applicability of RSA
20 362-I:2, which is entitled "Procurement of
21 Renewable Natural Gas and Investment in Renewable
22 Natural Gas Infrastructure by Gas Utilities",
23 does the Department have an opinion at this time
24 as to whether this statute applies to Liberty's

[WITNESS: Arif]

1 proposal to buy brown RNG?

2 A Not at this time.

3 Q Finally, with regard to revised Schedule B, Bates
4 Page R019, Line 26, which shows a combined
5 propane and CNG per therm cost of "\$1.4795" per
6 therm, in your opinion, is that per therm rate
7 for the Summer of 2023 just and reasonable and in
8 the public interest?

9 A Based on the information presented to Department
10 of Energy, and review, I do, I believe.

11 MS. SCHWARZER: Thank you. No further
12 questions.

13 CHAIRMAN GOLDNER: Okay. Let's move to
14 Liberty for cross.

15 MR. SHEEHAN: Thank you. I just have
16 one small area.

17 **CROSS-EXAMINATION**

18 BY MR. SHEEHAN:

19 Q Mr. King spent some time explaining the
20 correction in the incremental calculation that
21 caused us to refile. And I suspect you are
22 reasonably familiar with the process of
23 calculating an over and under between CNG and
24 propane, and how you carry the numbers forward,

[WITNESS: Arif]

1 *et cetera*. Is that fair?

2 A I believe so.

3 Q My question for you is, prior orders require us
4 to track CNG and propane separately and go
5 through this calculation. Do you think it is
6 necessary going forward to continue that
7 practice, or could -- in your view, would it be
8 appropriate for the Company to move to a -- to
9 not do that? Analogizing to EnergyNorth, where
10 we have many different supplies at many different
11 costs, and they're all blended into one cost of
12 gas rate. Do you have an opinion on that?

13 A I believe the short answer is "I think, yes,
14 there is a reason, and it should continue."

15 And my understanding, based on the
16 history of this document, and particularly this
17 was -- this came by from a Settlement Agreement,
18 if I understand it, in 20-105. I stand to be
19 corrected on the docket number. My understanding
20 is that my predecessor had a role in putting the
21 way the Settlement Agreement reads, which
22 basically translates into the calculation that we
23 are looking at. And that was to ensure that the
24 customers are benefiting from having to convert

[WITNESS: Arif]

1 from propane to CNG for a foreseeable period of
2 time, where the Company asserted that the -- it
3 is beneficial for the customer.

4 So, this is a way to hold the Company
5 to account of that assertion, in terms of
6 demonstrating on submission -- in submissions
7 that that is indeed translating out to be what it
8 was anticipated at the beginning.

9 If you look into the Schedule N, and
10 the figures that we were looking at, I think that
11 the time has not yet come to a point where we can
12 definitively assert one way or the other. And,
13 therefore, it is reasonable to continue for a
14 little while.

15 MR. SHEEHAN: Okay. I won't go any
16 further on that topic.

17 Thank you. That's all I have.

18 CHAIRMAN GOLDNER: Okay. Thank you.
19 We'll move to Commissioner questions, with
20 Commissioner Chattopadhyay.

21 CMSR. CHATTOPADHYAY: Good morning.

22 WITNESS ARIF: Good morning.

23 BY CMSR. CHATTOPADHYAY:

24 Q Because there's nobody here that is public, so,

[WITNESS: Arif]

1 all of the information is -- you know, everyone
2 here is privy to confidential information, the
3 way the demand charge works, do you know whether
4 it's -- like it's a certain amount for the entire
5 year, right? It's _____ --

6 A Yes.

7 Q -- for the entire year. Do you know how it is
8 recovered through bills?

9 A My understanding is what -- looking at the
10 submission, is the way that the Company would put
11 in the submission, that's how it would sort of
12 translate, or it would make its way into the
13 charges, into the rates, and that's how it would
14 be recovered.

15 Q I guess my question is, the invoices, are they
16 _____ divided by 12 months, every month, that's
17 the amount?

18 A I do not have any information on that.

19 Q Okay. If you were going by what the invoices
20 are, and if the -- if what I stated is true,
21 which is that amount is recovered through equal
22 12 monthly, you know, 12 months invoices, would
23 you have a different opinion as to how the over-
24 or under-collection is calculated, if you have

[WITNESS: Arif]

1 thought through it? If not, then just, you
2 know, --

3 A So, if I understand your question, Commissioner
4 Chattopadhyay, a bit better, so, for the purposes
5 of illustration, if we take 100,000, because
6 that's easy, and we have a split of 75/25, that
7 would mean that 25,000 is to be recovered from
8 summer periods and 75 from winter periods.

9 Now, if that whole 100,000 is equally
10 divided over a 12-month period, and each monthly
11 amount is to be recovered from two different
12 periods separately, and, therefore, it is, again,
13 divided by 12 months for 25, 25,000 by 12 months,
14 and 75,000 by 12 months, and that's been booked
15 that way, I would not change my opinion, the way
16 the submission is done, for the purposes of being
17 able to verify Company's filing with the books.

18 If the books are done differently,
19 absolutely. If my answer makes sense?

20 Q It does. Do know whether, in your example, for,
21 you know, the \$75,000, being allocated to winter,
22 is looked at in the analysis by spreading it
23 through 12 months?

24 A That is my understanding.

[WITNESS: Arif]

1 CMSR. CHATTOPADHYAY: That is your
2 understanding. Okay.

3 Thank you. That's all I have.

4 CHAIRMAN GOLDNER: I have no further
5 questions for Dr. Deen Arif.

6 WITNESS ARIF: May I?

7 CHAIRMAN GOLDNER: Sure.

8 WITNESS ARIF: I apologize.

9 CHAIRMAN GOLDNER: Sure.

10 WITNESS ARIF: I want to voice my
11 opinion on another matter that has been
12 discussed.

13 It was about the PPSP, so, Propane
14 Purchase Stabilization Plan. And I understand
15 that, Commissioner Chattopadhyay, you had a
16 question about the 13 percent that, in Schedule
17 D-2, turns out to be not in favor of the
18 ratepayers.

19 If I understand correctly, the
20 Company's assertion is that 65 percent of hedging
21 is a good plan. I have no opinion on that. I
22 recognize that they have the tools as they have
23 asserted. What comes to my mind is that, given
24 the structure that we have, there are measures

[WITNESS: Arif]

1 that are known and widely used, something like
2 Sharpe ratio, that, basically, gets the measure
3 of asset return vis-à-vis the risk-free return
4 over the spread of the asset return. That sort
5 of over time that kind of an analysis would
6 really provide a meaningful way of looking at
7 whether the hedging plan is working or not.

8 It just happened to be, while listening
9 to the discussion, it happened to be coming to my
10 mind that analysis of that type could be useful
11 for this purposes that can benefit everybody.
12 That's in my opinion.

13 That's all I have to say.

14 CHAIRMAN GOLDNER: Thank you. That's
15 very helpful, and we appreciate the explanation.

16 Just for future reference, normally,
17 what happens is, your attorney would ask you,
18 either on direct or redirect, for some
19 clarification. So, I appreciate the
20 clarification. But, just as a normal practice,
21 that's sort of the normal procedure.

22 So, I think Dr. Deen Arif saved you
23 some trouble, Ms. Schwarzer. But, if you have
24 any further questions on redirect, those would be

[WITNESS: Arif]

1 welcome at this time?

2 MS. SCHWARZER: Thank you, Mr.

3 Chairman.

4 I would just ask if the Commission is
5 interested in taking administrative notice of the
6 Settlement Agreement that was referenced,
7 regarding the incremental costs? It appears in
8 Docket Number 20-105. It's Exhibit 49. And it's
9 Section 7.0 and 7.1, and I believe Appendices 4
10 and 5.

11 CHAIRMAN GOLDNER: Any objection from
12 the Company?

13 MR. SHEEHAN: No, sir.

14 CHAIRMAN GOLDNER: Okay. We'll take
15 administrative notice.

16 [Administrative notice taken.]

17 MS. SCHWARZER: Thank you. I have no
18 further questions. Thank you.

19 CHAIRMAN GOLDNER: Okay. All right.
20 Well, thank you very much. The witness is
21 released. Thank you, Dr. Deen Arif.

22 WITNESS ARIF: Thank you.

23 CHAIRMAN GOLDNER: And you're welcome
24 to stay up there, since you're the last witness,

1 or join Attorney Schwarzer at the table, whatever
2 you prefer.

3 *[Short pause.]*

4 CHAIRMAN GOLDNER: Okay. Very good.
5 So, without objection, we'll admit Exhibits 1
6 through 9 into the record.

7 And we'll, at this point, take closing
8 statements from the DOE, and then Liberty.

9 MS. SCHWARZER: Thank you. Thank you,
10 Mr. Chairman.

11 The Department appreciates the work
12 we've done with the Company during this expedited
13 period of time.

14 My overall concern, just in closing,
15 would be that, to the extent that brown RNG is
16 covered by RSA 362-I:1, it would be very
17 difficult, in the fall cost of gas, to include
18 the Commission's review, and perhaps approval or
19 disapproval of any RNG contract, were that
20 necessary. So, just to flag that at this time,
21 because cost of gas dockets are fast-moving
22 dockets.

23 In the opinion of the Department, the
24 proposed summer combined propane and CNG cost of

1 1.4795 per therm, as reflected in revised
2 Schedule B, is just and reasonable. And we ask
3 that the Commission consider approving Liberty's
4 filing.

5 Thank you.

6 CHAIRMAN GOLDNER: Thank you. And I'll
7 just address that briefly, Attorney Sheehan,
8 before your remark.

9 I think it is advantage to have a
10 matter considered that's not expedited inside
11 this docket, the Commission would welcome an
12 interim hearing. So, if that is appropriate, we
13 would welcome the additional hearing.

14 MR. SHEEHAN: Sure. On that piece, I
15 hadn't read the statute again with this thought
16 in mind, that brown RNG, for market purposes, is
17 just gas. And just like we sign a contract
18 without Commission approval until it's rolled
19 into a cost of gas, could RNG -- brown RNG just
20 fall in that bucket? It's just another source of
21 gas that we're buying for Keene, or wherever.

22 Now, the statute may not say so. They
23 may be a little more clear, any RNG, of whatever
24 type, has to get PUC approval. If so, of course,

1 we will do that first. But that's the -- in my
2 mind, the issue of whether that's required or
3 not. And, again, it's not for today.

4 And, in closing, first, I appreciate
5 DOE's support, after their thorough review of our
6 filing. A couple comments.

7 Commissioner Chattopadhyay's question
8 of Dr. Arif was "whether the demand charges are
9 billed equally over the year?" I do believe our
10 witnesses did say so that, of the total demand --
11 annual demand charge, we get a one-twelfth
12 monthly bill for that total every month. So, I
13 think that is in the record, and that is what
14 happens, just to clarify.

15 Next, I did ask DOE about eliminating
16 the CNG/propane cost mechanism we go through.
17 We're not proposing it here. It was interesting
18 to hear his response.

19 Just a couple thoughts, because it will
20 come up, either in the upcoming rate case, or
21 perhaps in a cost of gas next year, is to -- is
22 that Keene is moving away from propane-air. We
23 have done the analysis. We are not building a
24 new propane-air facility in Keene. And, so, in

1 order to continue serving Keene as a utility, we
2 have to go to whatever the next one is. And it
3 will take a number of years to convert away. And
4 the most likely is some sort -- version of
5 LNG/CNG, a bigger facility, that we can slowly
6 convert away over the coming years.

7 So, the fear -- or, I should say the
8 concern that motivated Mr. Frink, and getting
9 this provision in the Settlement Agreement, was
10 "Maybe you're not going to move away from
11 propane-air, and you've added the CNG that's
12 going to be more expensive. And, in fact, we may
13 decide that wasn't the right thing for you folks
14 to do, so customers shouldn't bear an increased
15 cost."

16 And to -- the response, I think, now
17 is, we've had a number of seasons of CNG/propane,
18 where the costs flip back and forth. There's not
19 a clear winner, at least in the last few years,
20 and I'll acknowledge it's a relatively short
21 sample size. But, if you add that to the fact
22 that there is no turning back in Keene. We're
23 not going to close the CNG facility and just run
24 the propane-air indefinitely; that is not going

1 to happen.

2 So, if it turns out CNG, over 20 years,
3 is marginally more expensive, we will argue it
4 still was a prudent thing to do, because we can't
5 operate that other system forever.

6 So, again, it's, I guess, not for you
7 today, but those are the things we're thinking,
8 and will be coming down the pike.

9 And the last comment, aside from the
10 rates, is the Propane Plan -- Purchasing Plan, as
11 the questioning was happening, I scrolled through
12 the last ten years of Keene dockets. And I had
13 to go all the way back to 2014 to see a year when
14 it didn't "win". Every year, between '15 through
15 '22, the purchases in the summer were less
16 expensive than we would have paid spot. I just
17 went to that same schedule over and over again,
18 and the numbers were 10 percent, 23 percent,
19 18 percent less expensive under the Propane
20 Purchase Plan.

21 Now, I say that, first, just to let you
22 know. Second, I also remind you, that's not the
23 purpose of the Plan primarily. The purpose of
24 the Plan is to ensure supply. But, by buying it

1 in the summer the way we do, it also often ends
2 up in a less price.

3 So, it's sort of a long reminder that
4 what happened this year was an anomaly. If you
5 all recall, last spring, it was shortly after the
6 Russian invasion, the whole world was
7 upside-down, and people were, for good reason,
8 panicking about the upcoming winter. And thus,
9 we had those high prices that, thankfully,
10 subsided.

11 So, with all those side issues, it
12 comes down to this is a plain vanilla Keene cost
13 of gas hearing, where we followed the steps we've
14 always followed. We have a proposed rate, and we
15 ask for the Commission's approval.

16 Thank you.

17 CHAIRMAN GOLDNER: Okay. I'll thank
18 everyone for their time today.

19 Is there anything else that we need to
20 consider?

21 *[No verbal response.]*

22 CHAIRMAN GOLDNER: No? Okay. Very
23 good.

24 Thank you, everyone, for your time

1 again. And we are adjourned.

2 ***(Whereupon the hearing was adjourned***

3 ***at 11:12 a.m.)***

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