

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

Docket No. DG 24-106

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty
Winter 2024/2025 Cost of Gas and Summer 2025 Cost of Gas

SECOND UPDATED DIRECT TESTIMONY

OF

ROBERT GARCIA

AND

ALYSSA E. MASTON

October 18, 2024



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1 **I. INTRODUCTION**

2 **Q. What are your full names, business addresses, and positions?**

3 A. (RG) My name is Robert Garcia. My business address is 15 Buttrick Road,
4 Londonderry, New Hampshire. My title is Manager, Rates and Regulatory Affairs.

5 (AM) My name is Alyssa E. Maston. My business address is 15 Buttrick Road,
6 Londonderry, New Hampshire. My title is Rates Analyst II, Rates and Regulatory
7 Affairs.

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

9 A. We are employed by Liberty Utilities Service Corp. (“LUSC”), which provides services
10 to Liberty Utilities (Granite State Electric) Corp d/b/a Liberty (“Liberty” or the
11 “Company”).

12 **Q. On whose behalf are you testifying?**

13 A. We are testifying on behalf of the Company.

14 **Q. Mr. Garcia, would you describe your educational and professional background and
15 training?**

16 A. I have an Artium Baccalaureus (Bachelor of Arts) degree in Political Science and French
17 from Wabash College (Crawfordsville, Indiana) and a Master of Public Administration
18 degree from the School of Public and Environmental Affairs at Indiana University
19 (Bloomington, Indiana) with concentrations in Policy (Quantitative) Analysis and
20 International Affairs. I also obtained a Certificat De Langue Et Civilisation Française
21 from the Université de Paris – Sorbonne (Paris, France) and, as part of my graduate

1 studies, studied French and European government at the École Nationale
2 D'Administration (Paris, France).

3 I was employed by ComEd from April 2001 to March 2023. I began my employment
4 with ComEd in the Regulatory Department as a Regulatory Specialist and moved on to
5 the positions of Senior Regulatory Specialist in 2004, Manager of Regulatory Strategies
6 and Solutions in 2008, and Director of Regulatory Strategy and Services in 2013 before
7 assuming my last position as Director of Regulatory Innovation & Initiatives in 2021.

8 Prior to joining ComEd, I worked for nearly nine years at the Illinois Commerce
9 Commission, beginning in 1992 as an intern in what was then the Office of Policy and
10 Planning and ending in 2001 as the senior policy advisor to a Commissioner. I initially
11 joined the Commission Staff through the James H. Dunn Memorial Fellowship program,
12 a one-year program sponsored by the Office of the Governor. Through this Fellowship, I
13 also held short-term positions in the Bureau of the Budget and the Governor's Legislative
14 Office.

15 **Q. Ms. Maston, would you describe your educational background, and your business
16 and professional experience?**

17 A. I graduated from Southern New Hampshire University in 2019 with a Bachelor of
18 Science degree in Accounting, and earned my Masters in Professional Accountancy from
19 the same institution in 2020. I have held an active Certified Public Accountant ("CPA")
20 license since 2022. I joined Liberty in August 2023. Prior to joining Liberty, I was
21 employed by Baker Newman Noyes, a public accounting firm, from 2020 through 2022. I

1 held positions as an Audit Senior and Audit Staff, and was responsible for performing
2 financial audits of companies in a large range of industries, such as banking and
3 healthcare.

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

6 A. Yes, we have.

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

8 A. Our testimony submits for Commission approval the Company’s updated firm sales Cost
9 of Gas rates for the 2024/2025 Winter (or Peak) Period and 2025 Summer (or Off-Peak)
10 Period. In addition, Liberty seeks approval to modify the letter informing customers of
11 the Fixed Price Option (“FPO”) for use next year (2025/2026 winter period) in order to
12 mitigate the issues that arise when the approved FPO rate varies substantially from the
13 FPO rate initially communicated to customers, which has occurred in recent years. Per
14 the guidelines adopted in Docket No. 23-027, Liberty believes approval of this new letter
15 and any other issues that may be raised concerning the FPO may be “carved out” and
16 addressed in a separate phase of this proceeding, as a decision is not needed before
17 November 1, 2024.

18 The first updates made to this testimony are in response to the items noted in the New
19 Hampshire Department of Energy Technical Statement of Ashraful Alam and Bruce L.
20 Blair that was filed in Docket No. DG 24-106 on October 14, 2024. The impact of these
21 corrections is not material, but do cause a very modest change in the proposed rates.

1 The second update made to this testimony is in response to an error found by the
2 Company on Pk Schedule 6, where gas costs were overstated by approximately \$6
3 million. This error was discovered after the second technical session, while preparing a
4 response to a question from the Office of the Consumer Advocate. The impact of these
5 corrections only affects the proposed winter cost of gas rates, which decrease by about
6 \$0.07/therm from the first update.

7 **Q. Can you summarize the proposed rates?**

8 A. The table below provides a summary of all rates proposed in this testimony, along with
9 comparison to the rates approved for the previous rate year.

	Rates Effective November 1, 2023 (Order No. 26,898)	November 1, 2024, Proposed Rate	Change	% Change
Residential	\$0.7563	\$0.6088	\$(0.1475)	(20)%
Residential (GAP)	\$0.4160	\$0.3348	\$(0.0812)	(20)%
C&I – LLF (High winter use)	\$0.7561	\$0.6088	\$(0.1473)	(19)%
C&I – HLF (Low winter use)	\$0.7573	\$0.6091	\$(0.1482)	(20)%
Residential FPO	\$0.7763	\$0.6288	\$(0.1475)	(19)%
Residential FPO (GAP)	\$0.4270	\$0.3458	\$(.0812)	(19)%
Transportation	\$0.0018	\$.0014	\$(0.0004)	(22)%
	Rates Effective May 1, 2024 (Order No. 26,898)	May 1, 2025, Proposed Rate	Change	% Change
Residential	\$0.0187	\$0.0722	\$0.0535	286%
C&I – LLF (High winter use)	\$0.0181	\$0.0722	\$0.0541	299%
C&I – HLF (Low winter use)	\$0.0193	\$0.0723	\$0.0530	275%

1 **Q. Are there any schedules and attachments included in your testimony?**

2 A. Yes. The table below lists the schedules and attachment included in our testimony.

Schedule	Description
Pk Summary	Cost of Gas Summary
Pk Schedule 3	COG, Working Capital, and Bad Debt (Over)/Under Cumulative Recovery Balances and Interest Calculation
Pk Schedule 4	Adjustments to Gas Costs
Pk Schedule 8	Annual Bill Comparisons
Pk Schedule 9	Variance Analysis of the Components of the Winter 2023-2024 Actual Results vs Proposed Winter 2024-2025 Cost of Gas Rate
Pk Schedule 13	Load Migration From Sales to Transportation in the C&I High and Low Winter Use Classes
Pk Schedule 14	Delivered Costs of Winter Supplies to Pipeline Delivered Supplies from the Prior Year
Pk Schedule 15	July and August Consumption of C&I High and Low Winter Classes as a Percentage of Their Annual Consumption
Pk Schedule 17	Forecast of Firm Transportation Volumes and Cost of Gas Revenues
Pk Schedule 23	Fixed Price Option (FPO) Historical Summary
Pk Schedule 24	Short-Term Debt Limitations
Pk Schedule 25	Company Allowance and Lost and Unaccounted For Gas (LAUF) Calculation
Pk Schedule 26	Fuel Inventory Revenue Requirement
OP Summary	Cost of Gas Summary
OP Schedule 3	COG, Working Capital, and Bad Debt (Over)/Under Cumulative Recovery Balances and Interest Calculation
OP Schedule 4	Adjustments to Gas Costs
OP Schedule 8	Annual Bill Comparisons
Attachment 1	2024 FPO Letter

Attachment 2	Proposed FPO Letter (2025/2026 and beyond)
Attachment 3	Illustrative Clean and Redlined Tariff Pages

1 **Q. Has Liberty made any changes to the aforementioned schedules?**

2 A. Yes. Liberty has made several revisions to the Excel-based model underlying the
3 attached schedules in order to improve accuracy and transparency, which will lead to
4 more efficient processes for everyone. The model used in Docket No. DG 23-076 and
5 previous dockets to create the schedules and calculate the Cost of Gas had grown to
6 include duplicative information that is no longer useful and made updates and reviews
7 difficult. Note that for ease of reference, the previously used schedule numbers were
8 retained, and the list of schedule numbers reflected in the table above appear
9 nonsequential due to the bifurcation of the annual LDAC review from the COG review.

10 Many schedules were not changed at all, while others were revised, reformatted, or
11 removed. The schedules that were removed include Pk (peak) and OP (off-peak)
12 Schedules 1, 2, and 7, which all contained duplicative data that can be found on the
13 remaining Pk and OP Schedules 5 and 6. OP Schedules 10B and 12 were also removed,
14 as they were exact duplicates of the Pk Schedules 10B and 12, which remain in the
15 current model. Pk and OP Schedules 4, 10A, and 11, as well as Pk Schedules 21 and 22
16 were all reformatted to span fewer tabs and flow in a simpler way.

17 Pk and OP Schedule 3 were revised slightly to simplify the presentation of the interest
18 calculation. Pk Schedule 16 was also revised to remove the unused inventory financing
19 charge calculation, which is calculated on Pk Schedule 26.

1 The Company met with the Department of Energy and the Office of the Consumer
2 Advocate ahead of this filing to provide an overview of the changes made in this filing.

3 **Q. Were any changes made to how costs are allocated?**

4 A. Yes. The most significant revision to the schedules can be found on Pk and OP
5 Schedules 5 and 6. These schedules contain the detail of the estimated unadjusted gas
6 costs that are the basis for the initial Cost of Gas rate calculation.

7 The estimated demand costs on Pk and OP Schedule 5 were previously allocated between
8 peak and off-peak manually on a contract basis, with certain pipeline contracts allocated
9 entirely to the peak season and others split between peak and off-peak based on when the
10 costs were estimated to be incurred. This approach was not necessarily reflective of when
11 the gas was actually used season to season. Therefore, the Company has created an
12 allocation factor based on a ratio of projected sales volumes to allocate estimated pipeline
13 demand costs between the peak and off-peak season. The Company calculated the
14 percentage of the firm sales projected on Pk Schedule 10B that were attributable to the
15 off-peak season and used that percentage to allocate the demand costs expected to be
16 incurred during the off-peak season, with the difference allocated to the peak season. All
17 costs that are expected to be incurred solely in the peak season are still included in the
18 peak season. The result of this change is that just over \$2.5M in pipeline demand costs
19 that previously would have been included in the off-peak Cost of Gas are now included in
20 the peak Cost of Gas, which is more representative of historical usage.

1 On Pk and OP Schedule 6 (Supply and Commodity Costs), all pipeline costs are included
2 in the Cost of Gas for the season in which they are incurred, as they were previously.
3 However, the Company is now including 100% of the estimated storage and produced
4 gas supply and commodity costs in the peak cost of gas because the peak season is when
5 the stored and produced gas is intended to be used. This change results in about \$90,000
6 in costs that would have previously been included in the off-peak Cost of Gas now being
7 included in the peak Cost of Gas. These costs have been removed from OP Schedule 6 to
8 simplify the schedule. All of these changes were made to increase the accuracy of the
9 estimated costs for each season.

10 **II. WINTER 2024/2025 COST OF GAS FACTOR**

11 **Q. What are the proposed firm Winter sales and firm transportation Cost of Gas**
12 **rates?**

13 A. The Company proposes a firm sales Cost of Gas rate of \$0.6088 per therm for residential
14 customers, \$0.6088 per therm for commercial and industrial high winter use customers,
15 and \$0.6091 per therm for commercial and industrial low winter use customers. The
16 Company proposes a firm transportation Cost of Gas rate of \$0.0014 per therm.

17 **Q. Please explain tariff page Illustrative Nineteenth Revised Page 95.**

18 A. Illustrative Nineteenth Revised Page 95 in Attachment 3 contains the calculation of the
19 2024/2025 winter period Cost of Gas Rate and summarizes the Company's forecast of
20 firm gas costs and firm gas sales. As shown on tariff Page 95, the proposed 2024/2025
21 Average Cost of Gas of \$0.6088 per therm is derived by adding the Direct Cost of Gas
22 Rate of \$0.5575 per therm to the Indirect Cost of Gas Rate of \$0.0513 per therm. The

1 estimated total Anticipated Direct Cost of Gas, derived on Illustrative Nineteenth Revised
2 Page 95, is \$49,555,420. The estimated Indirect Cost of Gas, shown on Page 95, is
3 \$4,563,380. The Direct Cost of Gas Rate of \$0.5575 and the Indirect Cost of Gas Rate of
4 \$0.0513 are determined by dividing each of these total cost figures by the projected
5 winter period firm sales volumes of 88,888,172 therms.

6 To calculate the total Anticipated Direct Cost of Gas, the Company adds a list of
7 allowable adjustments from deferred gas cost accounts to the projected demand and
8 commodity costs for the winter period supply portfolio. These allowable adjustments,
9 shown on Illustrative Fourth Revised Page 96, total \$(2,330,377). These adjustments are
10 added to the Unadjusted Anticipated Cost of Gas of \$51,885,797 to determine the Total
11 Anticipated Direct Cost of Gas of \$49,555,420.

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

13 A. The Unadjusted Anticipated Cost of Gas shown in Attachment 3 on Illustrative Fourth
14 Page 96 consists of the following components:

15	1. Purchased Gas Demand Costs	\$13,277,648
16	2. Purchased Gas Commodity Costs	33,968,111
17	3. Storage Demand and Capacity Costs	846,659
18	4. Storage Commodity Costs	4,210,226
19	5. Produced Gas Cost	4,078,054
20	Hedge Underground Storage Contract (saving)/Loss	<u>(4,494,900)</u>
21	Total	<u>\$51,885,797</u>

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

23 A. The allowable adjustments to gas costs, listed on Illustrative Fourth Revised Page 96 in
24 Attachment 3, are as follows:

1	1.	Deferred Gas Cost Prior Period (Over)/Under Collection	\$306,763
2	2.	Interest	177,131
3	3.	Accounting Adjustments	23,633
4	4.	Gas Assistance Program	(618,933)
5	5.	Fuel Inventory Revenue Requirement	462,146
6	6.	Broker Revenues	30,408
7	7.	Transportation COG Revenue	62,123
8	8.	Capacity Release Margin	(2,836,642)
9	9.	Fixed Price Option Administrative Costs	<u>62,993</u>
10		Total Adjustments	<u>\$(2,330,377)</u>

11 These allowable adjustments are standard adjustments made to the deferred gas cost
12 balance through the operation of the Company’s Cost of Gas adjustment clause.

13 **Q. How does the proposed average Cost of Gas rate in this filing compare to the**
14 **average Cost of Gas rate approved by the Commission in Docket No. DG 23-076 for**
15 **the 2023/2024 winter period?**

16 A. The table below contains the comparison of the Cost of Gas rate approved in Docket No.
17 DG 23-076, to the proposed rate in this filing.

	Rates Effective November 1, 2023 (Order No. 26,898)	November 1, 2024, Proposed Rate	Change	% Change
Residential – R3	\$0.7563	\$0.6088	\$(0.1475)	(20)%
C& I - G41	\$0.7561	\$0.6088	\$(0.1473)	(19)%
C&I - G42	\$0.7561	\$0.6088	\$(0.1473)	(19)%
C& I - G52	\$0.7573	\$0.6091	\$(0.1482)	(20)%

18

1 **Q. How does the proposed firm transportation winter Cost of Gas rate compare to the**
2 **rate approved by the Commission for the 2023/2024 winter period?**

3 A. The proposed firm transportation winter Cost of Gas rate is \$0.0014 per therm. The rate
4 approved in Docket No. DG 23-076 was \$0.0018 per therm. There is a \$0.0004 decrease
5 in the firm transportation rate. The decrease is primarily due to a decrease in anticipated
6 gas costs. Market changes are discussed in more detail in the Testimony of Mr. Tilbury,
7 Mrs. Esposito, and Mr. Summerfield.

	Rates Effective November 1, 2023 (Order No. 26,898)	November 1, 2024, Proposed Rate	Change	% Change
Transportation	\$0.0018	\$0.0014	\$(0.0004)	(22)%

8

9 **Q. In the calculation of the firm transportation winter Cost of Gas rate, has the**
10 **Company updated the estimated percentage used for pressure support purposes?**

11 A. No. The estimated percentage used for pressure support purposes of 8.7% stayed the
12 same based on the marginal cost study used for the rate design approved in Docket No.
13 DG 20-105.

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

16 A. Yes. The calculation is provided on Pk Schedule 26. The Company proposes to collect
17 \$462,146 in fuel inventory revenue requirement consistent with the approved rate of
18 return in Order No. 26,505 (July 30, 2021) in Docket No. DG 20-105. The impact of this
19 amount on the overall Cost of Gas rate is \$0.0052 per therm, which is determined by

1 dividing the \$462,146 by the estimated November 2024 through April 2025 COG sales
2 volumes of 88,888,172 therms.

3 **Q. How was the statutory tax rate of 27.08% on Schedule 26 calculated?**

4 A. Liberty calculated the statutory rate of 27.08% by using a 21% federal tax rate and a
5 7.7% tax rate for the State of New Hampshire in the following equation: $(0.21 + 0.077 -$
6 $(0.21 \times 0.077) = 0.27083$).

7 **Q. How was the common equity pre-tax rate of 6.64% on Schedule 26 calculated?**

8 A. The common equity pre-tax rate of 6.64% was calculated by dividing the 9.30% rate of
9 return on common equity, approved in Docket No. DG 20-105, by 0.72917 $(1 - 0.27083)$
10 and multiplied by 52.00% (equity component of the capital structure approved in DG 20-
11 105) $[0.093 / 0.72917 \times 0.5200 = 0.06664]$.

12 **Q. Has the bad debt percentage in this filing of 0.23% changed from the bad debt**
13 **percentage calculated in the Winter 2022/2023 Cost of Gas Reconciliation?**

14 A. Yes. The Company calculated a bad debt percentage of 1.99% for the period of May
15 2023 – April 2024. The bad debt percentage that was calculated in the Winter 2022/2023
16 Cost of Gas Reconciliations for the period of May 2022 – April 2023 was 0.23%.

	Approved Rate Docket No. DG 23-076	Proposed Rate	% Change
Bad Debt %	0.23%	1.99%	765.22%

17

1 **Q. What was the actual weighted average firm sales Cost of Gas rate for the 2023/2024**
2 **winter period?**

3 A. The weighted average Cost of Gas rate was \$0.6249 per therm. This was calculated by
4 applying the actual monthly Cost of Gas rates for November 2023 through April 2024 to
5 the monthly therm usage of an average residential heating customer using 640 therms for
6 the six winter period months. The table below shows the various rate classes and their
7 changes from last winter:

	Average COG Rate Winter 2023/2024	Proposed Rate	Change	% Change
Residential – R3	\$0.6249	\$0.6088	(\$0.0161)	(3)%
C& I - G41	\$0.6292	\$0.6088	(\$0.0204)	(3)%
C&I - G42	\$0.6261	\$0.6088	(\$0.0173)	(3)%
C& I - G52	\$0.6127	\$0.6091	(\$0.0036)	(1)%

8
9 **Q. What is the current percentage used to calculate the maximum increase in the Cost**
10 **of Gas rate?**

11 A. The current percentage used to calculate the maximum allowed increase to the Cost of
12 Gas rate through the monthly “trigger” filings is 25% for both the Winter and Summer
13 period Cost of Gas rates.

1 **III. FIXED PRICE OPTION**

2 **Q. Has the Company established a winter period fixed price for the Fixed Price Option**
3 **Program?**

4 A. Yes. Pursuant to Order No. 24,515 (Sept. 16, 2005) in Docket No. DG 05-127, the FPO
5 rates are set by adding \$0.0200 per therm to the initial proposed COG rate. Applying that
6 calculation, Illustrative Fourth Revised Page 94 in Attachment 3 contains the proposed
7 FPO rate for the 2024/2025 Winter Period of \$0.6288 per therm for residential customers.
8 This compares to the FPO rate approved for the 2023/2024 Winter Period of \$0.7763 per
9 therm for residential customers. This represents a decrease of \$0.1475 per therm or 19%
10 in the residential FPO rate. The total bill impact on the winter period bills for an average
11 FPO heating customer using 640 therms is a decrease of approximately \$22.81 or 2%
12 compared to last winter’s approved FPO rate. Pk Schedule 23 contains the historical
13 results of the FPO program.

	Winter 2023/2024 FPO Bill Impact	Winter 2023/2024 Non-FPO Bill Impact
Residential - R3	\$(67.48) or (6)%	\$16.64 or 2%

14

15 **Q. Has the Company provided a copy of the letter it intends to send customers**
16 **informing them of the FPO option for the 2024/2025 winter period?**

17 A. Yes. As agreed during the October 19, 2023, hearings in Docket Nos. DG 23-076 and
18 DG 23-084, a copy of the letter is provided in Attachment 1. It is essentially the same
19 letter as provided in those cases last year, but with updated rates.

1 **Q. Does the Company propose any modifications to the FPO letter for use in future**
2 **winter period mailings?**

3 A. Yes. In light of circumstances that caused Liberty to substantially alter its proposed Non-
4 FPO and FPO rates after the letters were sent to customers in recent years (*e.g.*, dramatic
5 increase in gas prices precipitated by the invasion of Ukraine and a booking error
6 discovered shortly before last year's hearing) resulting in the need to send a second set of
7 FPO letters with updated FPO rates, Liberty seeks approval to use the draft letter set forth
8 in Attachment 2 beginning next year, for the winter period 2025/2026 FPO mailing. The
9 key change is that the proposed letter does not include the FPO rate proposed at the time
10 of the mailing, but simply states that the FPO rate will be two cents higher than the
11 approved COG rate, thereby emphasizing the 2-cent per therm premium that participating
12 customers will pay for the six-months of price certainty. If this change is approved for
13 the 2025-2026 winter, then in advance of the winter 2026-2027 filing, Liberty will review
14 its findings (*e.g.*, impact on enrollments, customer inquiries) with the Department of
15 Energy and Office of the Consumer Advocate and determine whether to continue using
16 the revised letter.

17 Per the guidelines adopted in Docket No. 23-027, the Company recommends that this
18 matter be addressed in a separate phase of this docket, along with any other changes that
19 may be proposed to the FPO.

1 **IV. SHORT TERM DEBT LIMIT**

2 **Q. Has the Company updated its Short Term Debt Limit for the period November 2024**
3 **through October 2025?**

4 A. Yes. In Order No. 24,824 (Feb. 29, 2008) the Commission authorized Liberty to have a
5 short-term debt limit for fuel purposes set at 30 percent of the Company's total gas costs.
6 In Pk Schedule 24, the Company has calculated the short-term debt limit for fuel
7 purposes for the upcoming year to be \$18,112,871.

8 **V. COMPANY GAS ALLOWANCE**

9 **Q. Has the Company also updated its Company Gas Allowance percentage for the**
10 **period November 2024 through October 2025 in accordance with Section 8 of the**
11 **Company's Delivery Terms and Conditions?**

12 A. Yes, in Pk Schedule 25 the Company has recalculated its Company Gas Allowance for
13 the period November 2024 through October 2025. The Company calculated the
14 Company Allowance of 2.64% based on sendout and throughput data for the twelve
15 months ending June 2024. The Company proposes to apply this recalculated Company
16 Gas Allowance to all supplier deliveries beginning in November 2024.

17 **VI. OTHER TARIFF CHANGES**

18 **Q. Is the Company proposing to update its Delivery Terms and Conditions?**

19 A. Yes. The Company is submitting Illustrative Fourth Revised Page 153 relating to
20 Supplier Balancing and Peaking Demand Charges and Illustrative Fourth Revised Page
21 154 relating to Capacity Allocation, both of which are reflected in Attachment 3.

1 **Q. Please describe the changes to tariff Page 153.**

2 A. In Illustrative Fourth Revised Page 153, the Company updates the Peaking Demand
3 Charge from \$43.95 per MMBtu of Peak MDQ to \$56.21 per MMBtu of Peak MDQ.
4 This calculation is presented in Schedule 21.

5 **Q. Please describe the changes to tariff Page 154.**

6 A. Illustrative Fourth Revised Page 154 updates the Capacity Allocator percentages used to
7 allocate pipeline, storage, and local peaking capacity to high and low load factor
8 customers under the mandatory capacity assignment requirement for firm transportation
9 service. Pk Schedule 22 contains the four-page worksheet that backs up the calculations
10 for the updated allocators.

11 **VII. SUMMER 2024 COST OF GAS FACTOR**

12 **Q. What are the proposed 2024 summer firm sales Cost of Gas rates?**

13 A. The Company proposes a firm sales Cost of Gas rate of \$0.0722 per therm for residential
14 customers, \$0.0722 per therm for commercial/industrial high winter use customers, and
15 \$0.0723 per therm for commercial/industrial low winter use customers as shown on
16 Illustrative Twelfth Revised Page 92.

17 **Q. Please explain Illustrative Fourth Revised Page 91 and Illustrative Twelfth Revised
18 Page 92.**

19 A. In Attachment 3, Illustrative Fourth Revised Page 91 and Illustrative Twelfth Revised
20 Page 92 contain the calculation of the 2025 Summer Period Cost of Gas Rate and
21 summarize the Company's forecast of firm gas sales, firm gas sendout, and gas costs. On

1 Illustrative Twelfth Revised Page 92, the Company derives the 2025 Average Cost of Gas
2 of \$0.0722 per therm by adding the Direct Cost of Gas Rate of \$0.0375 per therm to the
3 Indirect Cost of Gas Rate of \$0.0347 per therm. The estimated total Anticipated Direct
4 Cost of Gas is \$840,579 and the estimated Indirect Cost of Gas is \$777,119. The Direct
5 Cost of Gas Rate and the Indirect Cost of Gas Rates are determined by dividing each of
6 these total cost figures by the projected summer firm sales volumes of 22,422,719 therms.
7 Illustrative Twelfth Revised Page 92 also shows the calculation of the
8 Commercial/Industrial High Winter Use Cost of Gas Rate of \$0.0722 per therm and the
9 Commercial/Industrial Low Winter Use Cost of Gas Rate of \$0.0723 per therm.

10 The calculation of the Anticipated Direct Cost of Gas is shown on Illustrative Fourth
11 Revised Page 91. To derive the total Anticipated Direct Cost of Gas of \$840,579 the
12 Company starts with the Unadjusted Anticipated Cost of Gas of \$4,297,502 and adds the
13 Net Adjustment totaling (\$3,456,923).

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

15 A. The Unadjusted Anticipated Cost of Gas shown on Illustrative Fourth Revised Page 91
16 consists of the following components:

17	1. Purchased Gas Demand Costs	\$1,210,454
18	2. Purchased Gas Supply Costs	6,947,947
19	4. Hedge Contract (Savings)/loss	<u>(3,860,898)</u>
20		
21	Total Unadjusted Anticipated Cost of Gas	<u>\$4,297,502</u>

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

23 A. The allowable adjustments to gas costs, listed on Attachment 3, Illustrative Fourth

1 Revised Page 91 are as follows:

2	1. Prior Period (Over)/Under Collection	\$(410,878)
3	2. Interest	<u>23,689</u>
4	2. Capacity Release and Off System Sales Margins	<u>(3,069,734)</u>
5		
6	Total Adjustments	<u>\$(3,456,923)</u>

7 **Q. How does the proposed average Summer Cost of Gas rates in this filing compare to**
8 **the Cost of Gas rates approved by Order No. 26,898 (October 31, 2023) in Docket**
9 **No. DG 23-076 for the 2024 Summer Period?**

10 A. The table below summarizes the total bill impacts of the proposed summer 2025 rates.

	Rates Effective May 1, 2024 (Order No. 26,898)	Proposed Rate	Change	% Change
Residential – R3	\$0.0187	\$0.0722	\$0.0535	286%
C& I - G41	\$0.0181	\$0.0722	\$0.0541	299%
C&I - G42	\$0.0181	\$0.0722	\$0.0541	299%
C& I - G52	\$0.0193	\$0.0723	\$0.0530	275%

14 **VIII. CUSTOMER BILL IMPACTS**

15 **Q. What are the estimated impacts of the proposed firm sales Cost of Gas rate on an**
16 **average heating customer’s winter bill as compared to the winter rates in effect last**
17 **year?**

18 A. The bill impact analyses are presented in both the Pk and OP Schedule 8 of this filing.
19 These bill impacts reflect the implementation of the temporary rates approved in Docket
20 No. DG 23-067, effective November 1, 2023, relating to the Company’s distribution rate

1 case. The bill impacts also include the LDAC rates included in the August 20, 2024,
2 filing in this docket. The table below summarizes the total bill impacts of the proposed
3 rates.

	Winter 2024/2025 Bill Impact	Summer 2025 Bill Impact	Annual Bill Impact
Residential - R3	\$17 or 2%	\$8 or 4%	\$25 or 2%
Residential - R3 FPO	\$(67) or (6)%	N/A	\$(67) or (6)%
Residential – R4 GAP	\$(92) or (12)%	N/A	\$(92) or (12)%
C& I - G41	\$(53) or (2)%	\$21 or 3%	\$(33) or (1)%
C&I - G42	\$(426) or (2)%	\$196 or 5%	\$(231) or (1)%
C& I - G52	\$(111) or (1)%	\$440 or 12%	\$329 or 2%

4

5 **IX. CONCLUSION**

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

7 **A.** Yes, it does.

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

Docket No. DG 24-106

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty
Winter 2024/2025 Cost of Gas and Summer 2025 Cost of Gas

| SECOND UPDATED DIRECT TESTIMONY

OF

ROBERT GARCIA

AND

ALYSSA E. MASTON

| October 1~~8~~6, 2024



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1 **I. INTRODUCTION**

2 **Q. What are your full names, business addresses, and positions?**

3 A. (RG) My name is Robert Garcia. My business address is 15 Buttrick Road,
4 Londonderry, New Hampshire. My title is Manager, Rates and Regulatory Affairs.

5 (AM) My name is Alyssa E. Maston. My business address is 15 Buttrick Road,
6 Londonderry, New Hampshire. My title is Rates Analyst II, Rates and Regulatory
7 Affairs.

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

9 A. We are employed by Liberty Utilities Service Corp. (“LUSC”), which provides services
10 to Liberty Utilities (Granite State Electric) Corp d/b/a Liberty (“Liberty” or the
11 “Company”).

12 **Q. On whose behalf are you testifying?**

13 A. We are testifying on behalf of the Company.

14 **Q. Mr. Garcia, would you describe your educational and professional background and
15 training?**

16 A. I have an Artium Baccalaureus (Bachelor of Arts) degree in Political Science and French
17 from Wabash College (Crawfordsville, Indiana) and a Master of Public Administration
18 degree from the School of Public and Environmental Affairs at Indiana University
19 (Bloomington, Indiana) with concentrations in Policy (Quantitative) Analysis and
20 International Affairs. I also obtained a Certificat De Langue Et Civilisation Française
21 from the Université de Paris – Sorbonne (Paris, France) and, as part of my graduate

1 studies, studied French and European government at the École Nationale
2 D'Administration (Paris, France).

3 I was employed by ComEd from April 2001 to March 2023. I began my employment
4 with ComEd in the Regulatory Department as a Regulatory Specialist and moved on to
5 the positions of Senior Regulatory Specialist in 2004, Manager of Regulatory Strategies
6 and Solutions in 2008, and Director of Regulatory Strategy and Services in 2013 before
7 assuming my last position as Director of Regulatory Innovation & Initiatives in 2021.

8 Prior to joining ComEd, I worked for nearly nine years at the Illinois Commerce
9 Commission, beginning in 1992 as an intern in what was then the Office of Policy and
10 Planning and ending in 2001 as the senior policy advisor to a Commissioner. I initially
11 joined the Commission Staff through the James H. Dunn Memorial Fellowship program,
12 a one-year program sponsored by the Office of the Governor. Through this Fellowship, I
13 also held short-term positions in the Bureau of the Budget and the Governor's Legislative
14 Office.

15 **Q. Ms. Maston, would you describe your educational background, and your business
16 and professional experience?**

17 A. I graduated from Southern New Hampshire University in 2019 with a Bachelor of
18 Science degree in Accounting, and earned my Masters in Professional Accountancy from
19 the same institution in 2020. I have held an active Certified Public Accountant ("CPA")
20 license since 2022. I joined Liberty in August 2023. Prior to joining Liberty, I was
21 employed by Baker Newman Noyes, a public accounting firm, from 2020 through 2022. I

1 held positions as an Audit Senior and Audit Staff, and was responsible for performing
2 financial audits of companies in a large range of industries, such as banking and
3 healthcare.

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

6 A. Yes, we have.

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

8 A. Our testimony submits for Commission approval the Company’s updated firm sales Cost
9 of Gas rates for the 2024/2025 Winter (or Peak) Period and 2025 Summer (or Off-Peak)
10 Period. In addition, Liberty seeks approval to modify the letter informing customers of
11 the Fixed Price Option (“FPO”) for use next year (2025/2026 winter period) in order to
12 mitigate the issues that arise when the approved FPO rate varies substantially from the
13 FPO rate initially communicated to customers, which has occurred in recent years. Per
14 the guidelines adopted in Docket No. 23-027, Liberty believes approval of this new letter
15 and any other issues that may be raised concerning the FPO may be “carved out” and
16 addressed in a separate phase of this proceeding, as a decision is not needed before
17 November 1, 2024.

18 The first updates made to this testimony are in response to the items noted in the New
19 Hampshire Department of Energy Technical Statement of Ashraful Alam and Bruce L.
20 Blair that was filed in Docket No. DG 24-106 on October 14, 2024. The impact of these
21 corrections is not material, but do cause a very modest change in the proposed rates.

1 The second update made to this testimony is in response to an error found by the
2 Company on Pk Schedule 6, where gas costs were overstated by approximately \$6
3 million. This error was discovered after the second technical session, while preparing a
4 response to a question from the Office of the Consumer Advocate. The impact of these
5 corrections only affects the proposed winter cost of gas rates, which decrease by about
6 \$0.07/therm from the first update.

7 **Q. Can you summarize the proposed rates?**

8 A. The table below provides a summary of all rates proposed in this testimony, along with
9 comparison to the rates approved for the previous rate year.

	Rates Effective November 1, 2023 (Order No. 26,898)	November 1, 2024, Proposed Rate	Change	% Change
Residential	\$0.7563	\$0.6 088786	\$(-0.14750777)	(120)%
Residential (GAP)	\$0.4160	\$0.3 348732	\$(-0.0812428)	(120)%
C&I – LLF (High winter use)	\$0.7561	\$0.6 088786	\$(-0.14730775)	(190)%
C&I – HLF (Low winter use)	\$0.7573	\$0.6 091789	\$(-0.14820784)	(120)%
Residential FPO	\$0.7763	\$0.6 288986	\$(-0.14750777)	(190)%
Residential FPO (GAP)	\$0.4270	\$0.3 458842	\$(-0.0812428)	(190)%
Transportation	\$0.0018	\$0.0014	\$(-0.0004)	(22)%
	Rates Effective May 1, 2024 (Order No. 26,898)	May 1, 2025, Proposed Rate	Change	% Change
Residential	\$0.0187	\$0.0722	\$0.0535	286%
C&I – LLF (High winter use)	\$0.0181	\$0.0722	\$0.0541	299%

C&I – HLF (Low winter use)	\$0.0193	\$0.0723	\$0.0530	275%
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Q. Are there any schedules and attachments included in your testimony?

A. Yes. The table below lists the schedules and attachment included in our testimony.

Schedule	Description
Pk Summary	Cost of Gas Summary
Pk Schedule 3	COG, Working Capital, and Bad Debt (Over)/Under Cumulative Recovery Balances and Interest Calculation
Pk Schedule 4	Adjustments to Gas Costs
Pk Schedule 8	Annual Bill Comparisons
Pk Schedule 9	Variance Analysis of the Components of the Winter 2023-2024 Actual Results vs Proposed Winter 2024-2025 Cost of Gas Rate
Pk Schedule 13	Load Migration From Sales to Transportation in the C&I High and Low Winter Use Classes
Pk Schedule 14	Delivered Costs of Winter Supplies to Pipeline Delivered Supplies from the Prior Year
Pk Schedule 15	July and August Consumption of C&I High and Low Winter Classes as a Percentage of Their Annual Consumption
Pk Schedule 17	Forecast of Firm Transportation Volumes and Cost of Gas Revenues
Pk Schedule 23	Fixed Price Option (FPO) Historical Summary
Pk Schedule 24	Short-Term Debt Limitations
Pk Schedule 25	Company Allowance and Lost and Unaccounted For Gas (LAUF) Calculation
Pk Schedule 26	Fuel Inventory Revenue Requirement
OP Summary	Cost of Gas Summary
OP Schedule 3	COG, Working Capital, and Bad Debt (Over)/Under Cumulative Recovery Balances and Interest Calculation
OP Schedule 4	Adjustments to Gas Costs

OP Schedule 8	Annual Bill Comparisons
Attachment 1	2024 FPO Letter
Attachment 2	Proposed FPO Letter (2025/2026 and beyond)
Attachment 3	Illustrative Clean and Redlined Tariff Pages

1 **Q. Has Liberty made any changes to the aforementioned schedules?**

2 A. Yes. Liberty has made several revisions to the Excel-based model underlying the
3 attached schedules in order to improve accuracy and transparency, which will lead to
4 more efficient processes for everyone. The model used in Docket No. DG 23-076 and
5 previous dockets to create the schedules and calculate the Cost of Gas had grown to
6 include duplicative information that is no longer useful and made updates and reviews
7 difficult. Note that for ease of reference, the previously used schedule numbers were
8 retained, and the list of schedule numbers reflected in the table above appear
9 nonsequential due to the bifurcation of the annual LDAC review from the COG review.
10 Many schedules were not changed at all, while others were revised, reformatted, or
11 removed. The schedules that were removed include Pk (peak) and OP (off-peak)
12 Schedules 1, 2, and 7, which all contained duplicative data that can be found on the
13 remaining Pk and OP Schedules 5 and 6. OP Schedules 10B and 12 were also removed,
14 as they were exact duplicates of the Pk Schedules 10B and 12, which remain in the
15 current model. Pk and OP Schedules 4, 10A, and 11, as well as Pk Schedules 21 and 22
16 were all reformatted to span fewer tabs and flow in a simpler way.

1 Pk and OP Schedule 3 were revised slightly to simplify the presentation of the interest
2 calculation. Pk Schedule 16 was also revised to remove the unused inventory financing
3 charge calculation, which is calculated on Pk Schedule 26.

4 The Company met with the Department of Energy and the Office of the Consumer
5 Advocate ahead of this filing to provide an overview of the changes made in this filing.

6 **Q. Were any changes made to how costs are allocated?**

7 A. Yes. The most significant revision to the schedules can be found on Pk and OP
8 Schedules 5 and 6. These schedules contain the detail of the estimated unadjusted gas
9 costs that are the basis for the initial Cost of Gas rate calculation.

10 The estimated demand costs on Pk and OP Schedule 5 were previously allocated between
11 peak and off-peak manually on a contract basis, with certain pipeline contracts allocated
12 entirely to the peak season and others split between peak and off-peak based on when the
13 costs were estimated to be incurred. This approach was not necessarily reflective of when
14 the gas was actually used season to season. Therefore, the Company has created an
15 allocation factor based on a ratio of projected sales volumes to allocate estimated pipeline
16 demand costs between the peak and off-peak season. The Company calculated the
17 percentage of the firm sales projected on Pk Schedule 10B that were attributable to the
18 off-peak season and used that percentage to allocate the demand costs expected to be
19 incurred during the off-peak season, with the difference allocated to the peak season. All
20 costs that are expected to be incurred solely in the peak season are still included in the
21 peak season. The result of this change is that just over \$2.5M in pipeline demand costs

1 that previously would have been included in the off-peak Cost of Gas are now included in
2 the peak Cost of Gas, which is more representative of historical usage.

3 On Pk and OP Schedule 6 (Supply and Commodity Costs), all pipeline costs are included
4 in the Cost of Gas for the season in which they are incurred, as they were previously.

5 However, the Company is now including 100% of the estimated storage and produced
6 gas supply and commodity costs in the peak cost of gas because the peak season is when
7 the stored and produced gas is intended to be used. This change results in about \$90,000
8 in costs that would have previously been included in the off-peak Cost of Gas now being
9 included in the peak Cost of Gas. These costs have been removed from OP Schedule 6 to
10 simplify the schedule. All of these changes were made to increase the accuracy of the
11 estimated costs for each season.

12 **II. WINTER 2024/2025 COST OF GAS FACTOR**

13 **Q. What are the proposed firm Winter sales and firm transportation Cost of Gas**
14 **rates?**

15 A. The Company proposes a firm sales Cost of Gas rate of \$0.6~~088786~~ per therm for
16 residential customers, \$0.6~~088786~~ per therm for commercial and industrial high winter
17 use customers, and \$0.6~~091789~~ per therm for commercial and industrial low winter use
18 customers. The Company proposes a firm transportation Cost of Gas rate of \$0.0014 per
19 therm.

1 **Q. Please explain tariff page Illustrative Nineteenth Revised Page 95.**

2 A. Illustrative Nineteenth Revised Page 95 in Attachment 3 contains the calculation of the
3 2024/2025 winter period Cost of Gas Rate and summarizes the Company's forecast of
4 firm gas costs and firm gas sales. As shown on tariff Page 95, the proposed 2024/2025
5 Average Cost of Gas of \$0.6088786 per therm is derived by adding the Direct Cost of
6 Gas Rate of \$0.55756255 per therm to the Indirect Cost of Gas Rate of \$0.051334 per
7 therm. The estimated total Anticipated Direct Cost of Gas, derived on Illustrative
8 Nineteenth Revised Page 95, is \$49,555,42055,600,306. The estimated Indirect Cost of
9 Gas, shown on Page 95, is \$4,563,380718,363. The Direct Cost of Gas Rate of
10 \$0.55756255 and the Indirect Cost of Gas Rate of \$0.051334 are determined by dividing
11 each of these total cost figures by the projected winter period firm sales volumes of
12 88,888,172 therms.

13 To calculate the total Anticipated Direct Cost of Gas, the Company adds a list of
14 allowable adjustments from deferred gas cost accounts to the projected demand and
15 commodity costs for the winter period supply portfolio. These allowable adjustments,
16 shown on Illustrative Fourth Revised Page 96, total \$(2,330,37727,174). These
17 adjustments are added to the Unadjusted Anticipated Cost of Gas of
18 \$51,885,7977,927,477 to determine the Total Anticipated Direct Cost of Gas of
19 \$49,555,42055,600,306.

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

21 A. The Unadjusted Anticipated Cost of Gas shown in Attachment 3 on Illustrative Fourth
22 Page 96 consists of the following components:

1	1.	Purchased Gas Demand Costs	\$13,277,648
2	2.	Purchased Gas Commodity Costs	<u>33,968,111</u> 40,009,791
3	3.	Storage Demand and Capacity Costs	846,659
4	4.	Storage Commodity Costs	4,210,226
5	5.	Produced Gas Cost	4,078,054
6		Hedge Underground Storage Contract (saving)/Loss	<u>(4,494,900)</u>
7		Total	<u>\$51,885,797</u> 57,927,477

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

9 A. The allowable adjustments to gas costs, listed on Illustrative Fourth Revised Page 96 in
10 Attachment 3, are as follows:

11	1.	Deferred Gas Cost Prior Period (Over)/Under Collection	\$306,763
12	2.	Interest	<u>177,131</u> 80,337
13	3.	Accounting Adjustments	23,633
14	4.	Gas Assistance Program	(618,933)
15	5.	Fuel Inventory Revenue Requirement	462,146
16	6.	Broker Revenues	30,408
17	7.	Transportation COG Revenue	62,123
18	8.	Capacity Release Margin	(2,836,642)
19	9.	Fixed Price Option Administrative Costs	<u>62,993</u>
20		Total Adjustments	<u>\$(2,330,377)</u> 27,171

21 These allowable adjustments are standard adjustments made to the deferred gas cost
22 balance through the operation of the Company's Cost of Gas adjustment clause.

23 **Q. How does the proposed average Cost of Gas rate in this filing compare to the**
24 **average Cost of Gas rate approved by the Commission in Docket No. DG 23-076 for**
25 **the 2023/2024 winter period?**

26 A. The table below contains the comparison of the Cost of Gas rate approved in Docket No.
27 DG 23-076, to the proposed rate in this filing.

	Rates Effective November 1, 2023 (Order No. 26,898)	November 1, 2024, Proposed Rate	Change	% Change
Residential – R3	\$0.7563	\$0.6088786	\$(0.14750777)	(120)%
C& I - G41	\$0.7561	\$0.6088786	\$(0.14730775)	(190)%
C&I - G42	\$0.7561	\$0.6088786	\$(0.14730775)	(190)%
C& I - G52	\$0.7573	\$0.6091789	\$(0.14820784)	(120)%

1

2 **Q. How does the proposed firm transportation winter Cost of Gas rate compare to the**
3 **rate approved by the Commission for the 2023/2024 winter period?**

4 A. The proposed firm transportation winter Cost of Gas rate is \$0.0014 per therm. The rate
5 approved in Docket No. DG 23-076 was \$0.0018 per therm. There is a \$0.0004 decrease
6 in the firm transportation rate. The decrease is primarily due to a decrease in anticipated
7 gas costs. Market changes are discussed in more detail in the Testimony of Mr. Tilbury,
8 Mrs. Esposito, and Mr. Summerfield.

	Rates Effective November 1, 2023 (Order No. 26,898)	November 1, 2024, Proposed Rate	Change	% Change
Transportation	\$0.0018	\$0.0014	\$(0.0004)	(22)%

9

1 **Q. In the calculation of the firm transportation winter Cost of Gas rate, has the**
2 **Company updated the estimated percentage used for pressure support purposes?**

3 A. No. The estimated percentage used for pressure support purposes of 8.7% stayed the
4 same based on the marginal cost study used for the rate design approved in Docket No.
5 DG 20-105.

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

8 A. Yes. The calculation is provided on Pk Schedule 26. The Company proposes to collect
9 \$462,146 in fuel inventory revenue requirement consistent with the approved rate of
10 return in Order No. 26,505 (July 30, 2021) in Docket No. DG 20-105. The impact of this
11 amount on the overall Cost of Gas rate is \$0.0052 per therm, which is determined by
12 dividing the \$462,146 by the estimated November 2024 through April 2025 COG sales
13 volumes of 88,888,172 therms.

14 **Q. How was the statutory tax rate of 27.08% on Schedule 26 calculated?**

15 A. Liberty calculated the statutory rate of 27.08% by using a 21% federal tax rate and a
16 7.7% tax rate for the State of New Hampshire in the following equation: $(0.21 + 0.077 -$
17 $(0.21 \times 0.077) = 0.27083$).

18 **Q. How was the common equity pre-tax rate of 6.64% on Schedule 26 calculated?**

19 A. The common equity pre-tax rate of 6.64% was calculated by dividing the 9.30% rate of
20 return on common equity, approved in Docket No. DG 20-105, by 0.72917 $(1 - 0.27083)$

1 and multiplied by 52.00% (equity component of the capital structure approved in DG 20-
2 105) [0.093 / 0.72917 x 0.5200 = 0.06664].

3 **Q. Has the bad debt percentage in this filing of 0.23% changed from the bad debt**
4 **percentage calculated in the Winter 2022/2023 Cost of Gas Reconciliation?**

5 A. Yes. The Company calculated a bad debt percentage of 1.99% for the period of May
6 2023 – April 2024. The bad debt percentage that was calculated in the Winter 2022/2023
7 Cost of Gas Reconciliations for the period of May 2022 – April 2023 was 0.23%.

	Approved Rate Docket No. DG 23-076	Proposed Rate	% Change
Bad Debt %	0.23%	1.99%	765.22%

8
9 **Q. What was the actual weighted average firm sales Cost of Gas rate for the 2023/2024**
10 **winter period?**

11 A. The weighted average Cost of Gas rate was \$0.6249 per therm. This was calculated by
12 applying the actual monthly Cost of Gas rates for November 2023 through April 2024 to
13 the monthly therm usage of an average residential heating customer using 640 therms for
14 the six winter period months. The table below shows the various rate classes and their
15 changes from last winter:

	Average COG Rate Winter 2023/2024	Proposed Rate	Change	% Change
Residential – R3	\$0.6249	\$0. 6088786	(\$0.0161)537	(3)9%
C& I - G41	\$0.6292	\$0. 6088786	(\$0.0204)494	(3)8%
C&I - G42	\$0.6261	\$0. 6088786	(\$0.0173)525	(3)8%
C& I - G52	\$0.6127	\$0. 6091789	(\$0.0036)662	(1)1%

1

2 **Q. What is the current percentage used to calculate the maximum increase in the Cost**
3 **of Gas rate?**

4 A. The current percentage used to calculate the maximum allowed increase to the Cost of
5 Gas rate through the monthly “trigger” filings is 25% for both the Winter and Summer
6 period Cost of Gas rates.

7 **III. FIXED PRICE OPTION**

8 **Q. Has the Company established a winter period fixed price for the Fixed Price Option**
9 **Program?**

10 A. Yes. Pursuant to Order No. 24,515 (Sept. 16, 2005) in Docket No. DG 05-127, the FPO
11 rates are set by adding \$0.0200 per therm to the initial proposed COG rate. Applying that
12 calculation, Illustrative Fourth Revised Page 94 in Attachment 3 contains the proposed
13 FPO rate for the 2024/2025 Winter Period of \$0.6~~288986~~ per therm for residential
14 customers. This compares to the FPO rate approved for the 2023/2024 Winter Period of
15 \$0.7763 per therm for residential customers. This represents a decrease of \$0.~~14750777~~
16 per therm or ~~190%~~ in the residential FPO rate. The total bill impact on the winter period

1 bills for an average FPO heating customer using 640 therms is a decrease of
2 approximately \$22.81 or 2% compared to last winter’s approved FPO rate. Pk Schedule
3 23 contains the historical results of the FPO program.

	Winter 2023/2024 FPO Bill Impact	Winter 2023/2024 Non-FPO Bill Impact
Residential - R3	\$ (67.48) 22.81 or (62) %	\$ 16.64 61.31 or 26 %

4
5 **Q. Has the Company provided a copy of the letter it intends to send customers**
6 **informing them of the FPO option for the 2024/2025 winter period?**

7 A. Yes. As agreed during the October 19, 2023, hearings in Docket Nos. DG 23-076 and
8 DG 23-084, a copy of the letter is provided in Attachment 1. It is essentially the same
9 letter as provided in those cases last year, but with updated rates.

10 **Q. Does the Company propose any modifications to the FPO letter for use in future**
11 **winter period mailings?**

12 A. Yes. In light of circumstances that caused Liberty to substantially alter its proposed Non-
13 FPO and FPO rates after the letters were sent to customers in recent years (*e.g.*, dramatic
14 increase in gas prices precipitated by the invasion of Ukraine and a booking error
15 discovered shortly before last year’s hearing) resulting in the need to send a second set of
16 FPO letters with updated FPO rates, Liberty seeks approval to use the draft letter set forth
17 in Attachment 2 beginning next year, for the winter period 2025/2026 FPO mailing. The
18 key change is that the proposed letter does not include the FPO rate proposed at the time
19 of the mailing, but simply states that the FPO rate will be two cents higher than the

1 approved COG rate, thereby emphasizing the 2-cent per therm premium that participating
2 customers will pay for the six-months of price certainty. If this change is approved for
3 the 2025-2026 winter, then in advance of the winter 2026-2027 filing, Liberty will review
4 its findings (e.g., impact on enrollments, customer inquiries) with the Department of
5 Energy and Office of the Consumer Advocate and determine whether to continue using
6 the revised letter.

7 Per the guidelines adopted in Docket No. 23-027, the Company recommends that this
8 matter be addressed in a separate phase of this docket, along with any other changes that
9 may be proposed to the FPO.

10 **IV. SHORT TERM DEBT LIMIT**

11 **Q. Has the Company updated its Short Term Debt Limit for the period November 2024**
12 **through October 2025?**

13 A. Yes. In Order No. 24,824 (Feb. 29, 2008) the Commission authorized Liberty to have a
14 short-term debt limit for fuel purposes set at 30 percent of the Company's total gas costs.
15 In Pk Schedule 24, the Company has calculated the short-term debt limit for fuel
16 purposes for the upcoming year to be \$18,112,871.

1 **V. COMPANY GAS ALLOWANCE**

2 **Q. Has the Company also updated its Company Gas Allowance percentage for the**
3 **period November 2024 through October 2025 in accordance with Section 8 of the**
4 **Company's Delivery Terms and Conditions?**

5 A. Yes, in Pk Schedule 25 the Company has recalculated its Company Gas Allowance for
6 the period November 2024 through October 2025. The Company calculated the
7 Company Allowance of 2.64% based on sendout and throughput data for the twelve
8 months ending June 2024. The Company proposes to apply this recalculated Company
9 Gas Allowance to all supplier deliveries beginning in November 2024.

10 **VI. OTHER TARIFF CHANGES**

11 **Q. Is the Company proposing to update its Delivery Terms and Conditions?**

12 A. Yes. The Company is submitting Illustrative Fourth Revised Page 153 relating to
13 Supplier Balancing and Peaking Demand Charges and Illustrative Fourth Revised Page
14 154 relating to Capacity Allocation, both of which are reflected in Attachment 3.

15 **Q. Please describe the changes to tariff Page 153.**

16 A. In Illustrative Fourth Revised Page 153, the Company updates the Peaking Demand
17 Charge from \$43.95 per MMBtu of Peak MDQ to \$56.21 per MMBtu of Peak MDQ.
18 This calculation is presented in Schedule 21.

19 **Q. Please describe the changes to tariff Page 154.**

20 A. Illustrative Fourth Revised Page 154 updates the Capacity Allocator percentages used to
21 allocate pipeline, storage, and local peaking capacity to high and low load factor

1 customers under the mandatory capacity assignment requirement for firm transportation
2 service. Pk Schedule 22 contains the four-page worksheet that backs up the calculations
3 for the updated allocators.

4 **VII. SUMMER 2024 COST OF GAS FACTOR**

5 **Q. What are the proposed 2024 summer firm sales Cost of Gas rates?**

6 A. The Company proposes a firm sales Cost of Gas rate of \$0.0722 per therm for residential
7 customers, \$0.0722 per therm for commercial/industrial high winter use customers, and
8 \$0.0723 per therm for commercial/industrial low winter use customers as shown on
9 Illustrative Twelfth Revised Page 92.

10 **Q. Please explain Illustrative Fourth Revised Page 91 and Illustrative Twelfth Revised**
11 **Page 92.**

12 A. In Attachment 3, Illustrative Fourth Revised Page 91 and Illustrative Twelfth Revised
13 Page 92 contain the calculation of the 2025 Summer Period Cost of Gas Rate and
14 summarize the Company's forecast of firm gas sales, firm gas sendout, and gas costs. On
15 Illustrative Twelfth Revised Page 92, the Company derives the 2025 Average Cost of Gas
16 of \$0.0722 per therm by adding the Direct Cost of Gas Rate of \$0.0375 per therm to the
17 Indirect Cost of Gas Rate of \$0.0347 per therm. The estimated total Anticipated Direct
18 Cost of Gas is \$840,579 and the estimated Indirect Cost of Gas is \$777,119. The Direct
19 Cost of Gas Rate and the Indirect Cost of Gas Rates are determined by dividing each of
20 these total cost figures by the projected summer firm sales volumes of 22,422,719 therms.
21 Illustrative Twelfth Revised Page 92 also shows the calculation of the

1 Commercial/Industrial High Winter Use Cost of Gas Rate of \$0.0722 per therm and the
2 Commercial/Industrial Low Winter Use Cost of Gas Rate of \$0.0723 per therm.

3 The calculation of the Anticipated Direct Cost of Gas is shown on Illustrative Fourth
4 Revised Page 91. To derive the total Anticipated Direct Cost of Gas of \$840,579 the
5 Company starts with the Unadjusted Anticipated Cost of Gas of \$4,297,502 and adds the
6 Net Adjustment totaling (\$3,456,923).

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

8 A. The Unadjusted Anticipated Cost of Gas shown on Illustrative Fourth Revised Page 91
9 consists of the following components:

10	1. Purchased Gas Demand Costs	\$1,210,454
11	2. Purchased Gas Supply Costs	6,947,947
12	4. Hedge Contract (Savings)/loss	<u>(3,860,898)</u>
13		
14	Total Unadjusted Anticipated Cost of Gas	<u>\$4,297,502</u>

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

16 A. The allowable adjustments to gas costs, listed on Attachment 3, Illustrative Fourth
17 Revised Page 91 are as follows:

18	1. Prior Period (Over)/Under Collection	\$(410,878)
19	2. Interest	<u>23,689</u>
20	2. Capacity Release and Off System Sales Margins	<u>(3,069,734)</u>
21		
22	Total Adjustments	<u>\$(3,456,923)</u>

1 **Q. How does the proposed average Summer Cost of Gas rates in this filing compare to**
2 **the Cost of Gas rates approved by Order No. 26,898 (October 31, 2023) in Docket**
3 **No. DG 23-076 for the 2024 Summer Period?**

4 A. The table below summarizes the total bill impacts of the proposed summer 2025 rates.

	Rates Effective May 1, 2024 (Order No. 26,898)	Proposed Rate	Change	% Change
Residential – R3	\$0.0187	\$0.0722	\$0.0535	286%
C& I - G41	\$0.0181	\$0.0722	\$0.0541	299%
C&I - G42	\$0.0181	\$0.0722	\$0.0541	299%
C& I - G52	\$0.0193	\$0.0723	\$0.0530	275%

8 **VIII. CUSTOMER BILL IMPACTS**

9 **Q. What are the estimated impacts of the proposed firm sales Cost of Gas rate on an**
10 **average heating customer’s winter bill as compared to the winter rates in effect last**
11 **year?**

12 A. The bill impact analyses are presented in both the Pk and OP Schedule 8 of this filing.
13 These bill impacts reflect the implementation of the temporary rates approved in Docket
14 No. DG 23-067, effective November 1, 2023, relating to the Company’s distribution rate
15 case. The bill impacts also include the LDAC rates included in the August 20, 2024,
16 filing in this docket. The table below summarizes the total bill impacts of the proposed
17 rates.

	Winter 2024/2025 Bill Impact	Summer 2025 Bill Impact	Annual Bill Impact
Residential - R3	\$<u>1764</u> or <u>26</u>%	\$8 or 4%	\$<u>2570</u> or <u>26</u>%
Residential - R3 FPO	\$(<u>6723</u>) or (<u>62</u>)%	N/A	\$(<u>6723</u>) or (<u>62</u>)%
Residential – R4 GAP	\$(<u>9267</u>) or (<u>129</u>)%	N/A	\$(<u>9267</u>) or (<u>129</u>)%
C& I - G41	\$(<u>53</u>)<u>94</u> or (<u>2</u>)<u>3</u>%	\$21 or 3%	\$(<u>33</u>)<u>115</u> or (<u>1</u>)<u>3</u>%
C&I - G42	\$(<u>426</u>)<u>917</u> or (<u>2</u>)<u>4</u>%	\$196 or 5%	\$(<u>231</u>)<u>1,112</u> or (<u>1</u>)<u>4</u>%
C& I - G52	\$(<u>111</u>)<u>818</u> or (<u>1</u>)<u>6</u>%	\$440 or 12%	\$<u>3291,258</u> or <u>27</u>%

1

2 **IX. CONCLUSION**

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

4 **A. Yes, it does.**