STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

Docket No. DG 24-XXX

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty–Keene Division
Winter 2024/2025 Cost of Gas

DIRECT TESTIMONY

OF

SARAH B. GRANT,

ROBERT GARCIA,

AND

ADAM R.M. YUSUF

September 9, 2024

Liberty™

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I. INTRODUCTION

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

A. (SG) My name is Sarah B. Grant. My business address is 15 Buttrick Road, Londonderry, New Hampshire. My title is Supervisor, Gas Supply, Energy Procurement.

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

(AY) My name is Adam R.M. Yusuf. My business address is 15 Buttrick Road, Londonderry, New Hampshire. My title is Analyst I, Rates and Regulatory Affairs.

Q. By whom are you employed?

A. We are employed by Liberty Utilities Service Corp. ("LUSC"). LUSC provides local utility management, shared services, and support to Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty ("Liberty" or "the Company") and its regulated water, wastewater, natural gas, and electric utility affiliates.

Q. On whose behalf are you testifying?

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

Q. Ms. Grant, would you describe your educational background, and your business and professional experience?

A. I graduated from Southern New Hampshire University with a Bachelor of Science in Business Administration and a concentration in Human Resources. In 2013, I was hired by LUSC where I was employed as a Dispatcher. In 2014, I was promoted to Natural Gas

Scheduler. In 2016, I was promoted to Senior, Natural Gas Scheduler. In 2023, I was promoted to Supervisor, Gas Supply of Energy Procurement. In this capacity, I provide gas procurement services to Liberty.

Q. Have you previously testified in regulatory proceedings before the New Hampshire Public Utilities Commission (the "Commission")?

A. No, I have not.

Q. Mr. Garcia, would you describe your educational background, and your business and professional experience?

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

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

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

Q. Please describe your duties at LUSC.

A. As Manager of Rates and Regulatory Affairs, I am primarily responsible for rate administration and regulatory affairs for Liberty EnergyNorth and Liberty Utilities (Granite State Electric) Corp.

Q. Mr. Garcia, have you previously testified in regulatory proceedings before the New Hampshire Public Utilities Commission (the "Commission")?

A. Yes.

Q. Mr. Yusuf, would you describe your educational background, and your business and professional experience?

A. I graduated from the University of New Hampshire, Durham, in 2009 with a Bachelor of Science in Psychology with a minor in Kinesiology: Sports Studies. I received an Associate degree in Human Services from New Hampshire Technical Institute in Concord, in 2014. I received a Master of Business Administration from Southern New Hampshire University in 2022. I joined Liberty in April 2019, where I held positions as a

Customer Service Representative and Billing Representative before joining the Rates and Regulatory Affairs Department.

Q. Have you previously testified in regulatory proceedings before the Commission?

A. Yes.

Q. What is the purpose of your testimony?

A. The purpose of our testimony is to present for Commission approval the Company's proposed cost of gas rates for its Keene Division for the 2024/2025 winter (peak) period to be effective beginning on November 1, 2024. In addition, Liberty seeks approval to modify the letter informing customers of the Fixed Price Option ("FPO") for use next year (2025/2026 winter period) in order to mitigate the issues that arise when the approved FPO rate varies substantially from the FPO rate initially communicated to customers, which has occurred in recent years. Per the guidelines adopted in Docket No. 23-027, Liberty believes approval of this new letter and any other issues that may be raised concerning the FPO may be "carved out" and addressed in a separate phase of this proceeding, as a decision is not needed before November 1, 2024.

Q. Can you summarize the proposed rates?

A. The table below provides a summary of all rates proposed in this testimony, along with comparisons to the rates approved for the 2023/2024 winter period.

	Rates Effective November 1, 2023 (Second Revised Order No. 26,900)	November 1, 2024, Proposed Rate	Change	% Change
Residential	**$1.4007**	**$1.5390**	**$0.1383**	**10%**
Residential (GAP)	**$0.7704**	**$0.8465**	**$0.0761**	**10%**
C&I – LLF (High winter use)	**$1.4007**	**$1.5390**	**$0.1383**	**10%**
C&I – HLF (Low winter use)	**$1.4007**	**$1.5390**	**$0.1383**	**10%**
Residential FPO	**$1.4207**	**$1.5590**	**$0.1383**	**10%**
Residential FPO (GAP)	**$0.7814**	**$0.8575**	**$0.0761**	**10%**
C&I FPO	**$1.4207**	**$1.5590**	**$0.1383**	**10%**

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
Summary	Calculation of Cost of Gas Rate – Summary
Schedule A	Conversion of Gas Costs – Gallons to Therms
Schedule B	Calculation of Cost of Gas Rate
Schedule C	Calculation of Purchase Gas Costs
Schedule D	Propane Purchase Stabilization Program
Schedule E	Propane Spot Market Purchase Cost Analysis
Schedule F	Inventory & WACOG Calculation
Schedule I	Weather Normalization – Sendout
Schedule J	Weather Normalization – Sales
Schedule K-1	Bill Impact Analysis: Residential Non-FPO
Schedule K-2	Bill Impact Analysis: Residential FPO
Schedule L-1	Bill Impact Analysis: Commercial Non-FPO
Schedule L-2	Bill Impact Analysis: Commercial FPO
Schedule M	Projected Incremental Cost Calculation Winter 2024-2025
Schedule N	50 Percent of Incremental CNG Costs Winter 2019-2024
Appendix 1	Mont Belvieu Propane Futures Prices
Appendix 2	Enterprise TE Products Pipeline FERC Tariff – Eff. 7/1/2024
Appendix 3A	Trucking Fuel Surcharge Notification

Appendix 3B	Trucking Fuel Surcharge Rate per Gallon
Attachment 1	Illustrative Clean and Redlined Tariff Pages
Attachment 2	2024 FPO Letter
Attachment 3	Proposed FPO Letter (2025/2026 and beyond)

II. WINTER 2023/2024 COST OF GAS FACTOR

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

A. The cost of gas factor allows the Company to adjust its rates for firm gas sales in order to recover the cost of gas purchased or produced. The winter period cost of gas rates calculated in this filing are to be in effect for the winter heating period, defined as the period from November 1 through April 30. The terms and conditions for the Keene Division cost of gas clause are explained in the Company Tariff No. 11 on pages 32 and 33.

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

A. The Company proposes a firm cost of gas rate of $1.5390 per therm for the Keene Division as shown on Illustrative Seventeenth Revised Page 97 of Attachment 1.

Q. Please explain the calculation of the cost of gas rates on Illustrative Seventeenth Revised Page 97 of the tariff.

A. Illustrative Seventeenth Revised Page 97 contains the calculation of the 2024/2025 Winter Period cost of gas ("COG") rate and summarizes the Company's forecast of propane and compressed natural gas ("CNG") sales and propane and CNG costs. The product of these forecasts results in a total estimated cost of the gas sendout from

November 1, 2024, through April 30, 2025, including Indirect Costs from DG 20-105, Return on Inventory, and Interest, of $1,792,863.

To derive the Total Anticipated Cost of Gas, which is used to calculate the COG, the following adjustments are made to the estimated cost of gas sendout:

1) The prior period under-collection of ($82,846) is added from the anticipated cost of gas sendout; and
2) Interest of ($3,272) is added to the anticipated cost of gas sendout for the period of May 2024 through October 2024. Interest is accrued using the monthly prime lending rate as reported by the Federal Reserve Statistical Release of Selected Interest Rates.

The Company calculates the Non-Fixed Price Option ("Non-FPO") cost of gas rate of $1.5390 per therm by dividing the Total Anticipated Cost of Gas of $1,706,745 by the Projected Gas Sales of 1,108,959 therms. The Fixed Price Option ("FPO") rate of $1.5590 per therm was established by adding a $0.02 per therm premium to the Non-FPO rate. The information presented on this tariff page is supported by Schedules A through J, which are described later in this testimony.

Q. Please describe Schedule A.

A. Schedule A converts the gas volumes and unit costs from gallons to therms which is used in Schedule F, inventory & weighted average cost calculation. The 1,192,667 therms represent sendout as detailed on Schedule B, line 3 and line 11. The blended unit cost of those supplies is $1.2850 per therm which represents the weighted average cost per therm for the winter period gas sendout as detailed on Schedule F, line 39.

Q. What is Schedule B?

A. Schedule B presents the anticipated (over)/under collection calculation for the winter 2024/2025 period based on the prior period (over)/under collection, forecasted volumes, the cost of gas, and applicable interest amounts. The schedule begins with the ending balance from the prior winter period[1] and includes the months of May through October 2024 to reflect costs related to the winter period. These out of period adjustments can be seen in columns 2 through 7. The forecasted total propane sendout on line 3, plus total CNG sendout on line 11, equals the weather-normalized 2024/2025 winter period firm sendout and company use. The forecasted Firm Sales on line 32 represent weather-normalized 2024/2025 winter period firm sales. The weather normalization calculations for sendout and sales are found in Schedules I and J, respectively.

Q. Are CNG demand charges included in this filing?

A. Yes, CNG demand charges are included in Schedule B on line 14.

Schedule B, line 14, includes 75% of the 2024/2025 demand charges. These charges are [redacted] per month or [redacted] for the year and represent the portion attributable to the winter period.

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[1] At the time of filing, this balance in still under audit in DG 23-084.

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

A. Yes. The Winter period 2023/2024 incremental costs are accounted for in the reconciliation of the winter period and included in the ($50,221) accounting adjustment made in July 2024 on line 18. The actual winter period 2023/2024 experience resulted in CNG savings because propane costs were incrementally greater by $26,451. Per Section 7.1 of the Settlement Agreement in Docket No. DG 20-105, the Company included a charge of the full $26,451 as the Company is allowed to "recover and retain the full amount of the incrementally lower CNG supply cost up to the amount of incrementally higher CNG costs accrued since the commencement of CNG service, which have not been recovered from customers". The calculation can be found on Schedule N.

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

A. The projected net incremental costs included in this filing reflect a refund of $14,589, based on a projected incremental CNG cost of $29,178, of which the Company is allowed to recover one-half. The projected CNG incremental costs are calculated on Schedule M for use on Schedule B, line 15.

Q. Are the concerns raised in Docket No. DG 24-042 regarding Section 7.1 of the Settlement Agreement applicable in this proceeding?

A. No. Unlike the incremental amounts deferred for recovery during summer periods, there remains incremental CNG cost deferred for recovery in subsequent periods, as shown on Schedule N. Therefore, the terms of Section 7.1 remain applicable. At issue in Liberty's testimony in Docket DG No. 24-042 was how to apply these settlement terms once all deferred CNG costs had been recovered.

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

A. Yes. Unaccounted-for gas is included in the firm sendout on Schedule B, lines 3 and 11. The Company actively monitors its level of unaccounted-for volumes, which amounted to 2.37% for the twelve months ended June 30, 2024.

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

A. Schedule C presents the calculation of the total forecasted cost of gas purchases in the 2024/2025 winter period, segregated by Propane Purchasing Stabilization Plan ("PPSP") purchases, available storage deliveries from Liberty's Amherst facility, CNG deliveries, and spot purchases.

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

Schedule E presents the forecasted market spot prices of propane. Line 1 of the Schedule represents the Mont Belvieu propane futures quotations as of September 3, 2024, followed by projected broker fees, pipeline fees, PERC fees, supplier charges, and trucking charges. Together, the pricing and fees make up the expected cost of spot propane purchases as represented in Schedule C, line 31.

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

A. The PPSP, as approved in Order No. 24,617 (Apr. 28, 2006) in Docket No. DG 06-037, was again implemented for the winter of 2024/2025. As shown on Schedule D, the Company pre-purchased 700,000 gallons of propane between April and September at a weighted average price of $1.1750 per gallon ($1.2841 per therm), inclusive of broker, pipeline, Propane Education & Research Council (“PERC”), and trucking charges in effect at the time of the supplier’s bid.

Q. Have the pre-purchased volumes in the PPSP changed since 2023/2024?

A. The total volume remains at 700,000 gallons or 640,500 therms; however, the monthly volume has been levelized since the 2023/2024 Winter filing. The Keene Division maintains a pre-purchase hedge of approximately 61%.

Q. How was the cost of CNG purchases determined?

A. The CNG costs are shown in Schedule C, lines 20 through 26. These costs reflect the contractual agreement between the Company and its supplier, Xpress Natural Gas, LLC.

Q. Please describe Schedule F.

A. Schedule F contains the calculation of the weighted average cost of inventory for each month through April 2025. The unit cost of projected gas to be sent out each month utilizes this weighted average inventory cost, which is inclusive of all PPSP purchases, spot purchases, Amherst storage withdrawals, and CNG deliveries. Note that the CNG deliveries are shown in separate columns from the propane-weighted cost but are included in the average winter rate, which is established on line 39 of Schedule F. This mix of supply purchases is also itemized on Schedule C.

III. FIXED PRICE OPTION PROGRAM

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

A. The Company will offer the FPO program for the upcoming winter period to provide customers the opportunity to lock in their cost of gas rate. Enrollment in the program is limited to 50% of forecasted winter sales, with allotments made available to both residential and commercial customers on a first-come, first-served basis. The Company is forecasting that 11.77% of total sales volumes will enroll in the FPO program. The 11.77% is the five-year average FPO participation rate from winter 2018/2019 through the winter of 2022/2023.

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

A. Yes. As approved in Order No. 24,516 (Sept. 19, 2005) in Docket No. DG 05-144, the Company has added a $0.02 per therm premium to the $1.5390 per therm Non-FPO cost of gas rate, to derive the FPO rate of $1.5590 per therm.

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

A. Yes. As agreed during the October 19, 2023, hearings in Docket Nos. DG 23-076 and DG 23-084, a copy of the letter is provided in Attachment 2. It is essentially the same letter as provided in those cases last year, but with updated rates and a little more emphasis of the fact that the proposed FPO rate shown is not guaranteed to be the rate that will be charged until approved by the Commission.

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

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

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

IV. COST OF GAS RATE AND BILL COMPARISONS

Q. How do the proposed winter 2023/2024 cost of gas rates compare with the previous winter's rates?

A. The proposed Non-FPO COG rate of $1.5390 per therm is an increase of $0.1383 or 10% from the winter 2023/2024 approved rate of $1.4007 per therm, in Docket No. DG 23-084, which approved interim Cost of Gas rates.

The proposed FPO rate is $1.5590 per therm, representing an increase of $0.1383 per therm or 10% from last winter's interim fixed rate of $1.4207.

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

A. The main reasons for the $0.1383 increase are the smaller over-collection balance as compared to the prior year and a slight decrease in projected sales while projected gas costs remain relatively consistent with the prior year's projected costs.

Q. What is the impact of the winter 2024/2025 COG rate on the typical residential heat and hot water customer choosing the Non-FPO program?

A. As shown on Schedule K-1, Column 7, lines 24 and 25, the typical residential heat and hot water Non-FPO customer is projected to see an increase of $44.24 or 6.9% in the gas component of their bills compared to the prior winter period.

Q. What is the impact of the winter 2024/2025 COG rate on the typical residential heat and hot water customer participating in the FPO program?

A. As shown on Schedule K-2, Column 7, lines 24 and 25, the typical residential heat and hot water FPO customer would experience an increase of $61.81 or 9.7% in the gas component of their bills compared to the prior winter period.

Q. Please describe the impact of the winter 2023/2024 COG rate on the typical commercial customer compared to the prior winter period.

A. Schedule L-1 shows that the typical commercial Non-FPO customer would see a $164.72 or a 6.6% increase in the gas component of their bill and a 3.9% increase in their total bill. Schedule L-2 illustrates that the typical commercial FPO customer would see a $238.03 or 9.7% increase in the gas component of their bill and a 5.9% increase in their total bill.

V. <u>OTHER ITEMS</u>

Q. What is the status of CNG currently?

A. The Company began serving customers with CNG in October 2019. The service territory for CNG is exclusive to the Monadnock Marketplace and several customers on Key Road at this time. Xpress Natural Gas (XNG) is currently the Supplier; however, this contract will expire on June 30, 2025. The Company completed a request for proposals for a new CNG contract in which XNG will also be the Supplier. The new contract will start July 1, 2025 and expire June 30, 2028. The Company will otherwise follow the guidelines from the most recent rate case settlement and orders governing any further conversion of the Keene Division to natural gas.

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

A. For the upcoming peak period, spot propane is 14 cents per therm less expensive than CNG. The calculation is Spot Purchases cost per therm found on Schedule C, line 30 less the CNG Deliveries cost per therm found on Schedule C, line 23.

Q. Does that comparison include the CNG demand charge?

A. Yes.

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

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

Q. Can you comment on energy prices for the upcoming heating season?

A. Compared to last year's heating season, prices have been very stable with minimal change. At this time last year, the 2023/2024 blended cost/price of gas was projected to be $1.30 per therm, but now the projected cost for winter 2024/2025 is projected to be $1.29. The Company has sought and continues to seek the lowest cost solutions for both propane and CNG by locking in supply early using physical hedging, refilling storage in off-peak periods, and using price optionality as outlined in our CNG contract to obtain the least cost option in both winter and summer.

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

A. The Company has a net storage capacity at its plant in Keene of approximately 75,000 gallons of propane. Additionally, Liberty has approximately 129,800 gallons of propane at the Amherst storage facility located approximately 50 miles from the Keene plant. This storage facility is shared between the Keene Division and EnergyNorth. In addition, the Company has arranged a trucking commitment with Ciardelli Fuel Company for transportation from this storage facility to the Keene plant. Further, the Company has contracted for CNG deliveries to provide service to a section of its system. The firm trucking arrangement coupled with onsite CNG trailers is more than enough to meet the 7-day demand requirement for the 2024/2025 peak period.

Q. Does this conclude your testimony?

A. Yes.