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Witness	Mark G. Savoie
	Francisco C. DeLante
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**STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION**

Docket No. DG 13-____

EnergyNorth Natural Gas, Inc. d/b/a Liberty Utilities
Summer 2013 Cost of Gas Filing

**DIRECT TESTIMONY
OF
MARK G. SAVOIE**

March 15, 2013

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I. INTRODUCTION

Q. Mr. Savoie, please state your full name and business address.

A. My name is Mark G. Savoie. My business address is 11 Northeastern Blvd., Salem, New Hampshire 03079.

Q. By whom are you employed and in what capacity?

A. In December 2012, I became employed by Liberty Energy Utilities (New Hampshire) Corp. ("Liberty Energy NH") as a Utility Analyst. My primary duties include preparing the gas cost recovery projections for EnergyNorth Natural Gas, Inc. d/b/a Liberty Utilities ("EnergyNorth" or the "Company") and related reconciliations, administering the Company's tariff, calculating the achieved rate of return, and appearing as a witness on rate matters.

Q. Please describe your educational background and professional experience.

A. I received a Bachelor of Science degree in Accounting in 1980 and a Master of Business Administration in 1995, both at Southern New Hampshire University (formerly, New Hampshire College). I have worked for a regulated public utility for a total of approximately 21 years. From 2006 to 2012, I was employed by Pennichuck Corporation as Manager of Financial Reporting, Business Planning and Analysis. My duties included primarily Securities and Exchange Commission ("SEC") reporting, tax compliance and various treasury functions. From 1985 to 1986, I was the Accounting Manager for

1 Concord Natural Gas, a wholly-owned subsidiary of EnergyNorth, Inc. From 1986 to
2 2006, I was the Tax/SEC Accountant for EnergyNorth, Inc. My primary duties as
3 Tax/SEC Accountant included SEC reporting and Tax compliance. From 1996 to 2000, I
4 was a Rate Analyst and was subsequently promoted to Manager of Regulatory Affairs for
5 EnergyNorth. My primary duties as Rate Analyst and Manager of Regulatory Affairs
6 included determining and administering rates, including calculating the cost of gas
7 adjustment, analysis of rate of return, working capital calculations, and developing,
8 monitoring and evaluating risk management policies and procedures. I also worked for
9 approximately ten years for various public accounting firms, primarily as an auditor.

10
11 **Q. Do you have any professional licenses?**

12 A. Yes, I am licensed in the State of New Hampshire as a Certified Public Accountant.
13

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

16 A. I have testified in a number of regulatory proceedings before the Commission from 1996
17 to 2000 on a variety of matters for EnergyNorth that included cost of gas proceedings
18 (DG 00-034 and DG 00-193), recovery mechanism for costs related to clean-up of
19 manufactured gas sites (DG 99-060), the hedging program (DR 97-140), the Natural Gas
20 Price Stability Plan (DR 98-029) and a petition for approval of a gas transportation
21 agreement with AES Londonderry (DG 00-145).

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to explain the Company's proposed firm sales cost of gas rates for the 2013 Summer ("Off Peak") Period to be effective beginning May 1, 2013.

II. COST OF GAS FACTOR

Q. What are the proposed 2013 summer firm sales cost of gas rates?

A. The Company proposes a firm sales cost of gas rate of \$0.6732 per therm for residential customers, \$0.6661 per therm for commercial/industrial low winter use customers and \$0.6759 per therm for commercial/industrial high winter use customers as shown on Proposed Eighth Revised Page 87.

Q. Would you please explain tariff page Proposed Second Revised Page 86 and Proposed Eighth Revised Page 87?

A. Proposed Second Revised Page 86 and Proposed Eighth Revised Page 87 contain the calculation of the 2013 Summer Period Cost of Gas Rate and summarize the Company's forecast of firm gas sales, firm gas sendout and gas costs. For example, Proposed Eighth Revised Page 87 shows that the 2013 Average Cost of Gas of \$0.6732 per therm is derived by adding the Direct Cost of Gas Rate of \$0.6559 per therm to the Indirect Cost of Gas Rate of \$0.0173 per therm. The estimated total Anticipated Direct Cost of gas is \$12,055,151 and the estimated Indirect Cost of Gas is \$317,848. The Direct Cost of Gas

1 Rate and the Indirect Cost of Gas Rates are determined by dividing each of these total
2 cost figures by the projected firm sales volumes of 18,378,342 therms. Proposed Eighth
3 Revised Page 87 further shows that the Residential Cost of Gas Rate of \$0.6732 per
4 therm is equal to the Average Cost of Gas for all firm sales customers. It also shows the
5 calculation of the Commercial/Industrial Low Winter Use Cost of Gas Rate of \$0.6661
6 per therm and the Commercial/Industrial High Winter Use Cost of Gas Rate of \$0.6759
7 per therm.

8
9 The calculation of the Anticipated Direct Cost of Gas is shown on Proposed Second
10 Revised Page 86. To derive the total Anticipated Direct Cost of Gas of \$12,055,151 the
11 Company starts with the Unadjusted Anticipated Cost of Gas of \$12,000,198 and adds
12 the Net Adjustment totaling \$54,953.

13
14 **Q. What are the components of the Unadjusted Anticipated Cost of Gas?**

15 **A.** The Unadjusted Anticipated Cost of Gas consists of the following:

16	1. Purchased Gas Demand Costs	\$3,700,151
17	2. Purchased Gas Supply Costs	7,397,739
18	3. Storage Gas Commodity Costs	753,766
19	4. Produced Gas Cost	59,329
20	5. Hedged Contract Costs	<u>89,214</u>
21	Total Unadjusted Anticipated Cost of Gas	<u>\$12,000,198</u>

Q. What are the components of the allowable adjustments to the cost of gas?

A. The adjustments to gas costs, listed on Proposed Second Revised Page 86, are as follows:

1. Prior Period (Over)/Under Collection	\$50,793
2. Interest	<u>4,160</u>
Total Adjustments	<u>\$54,953</u>

Q. Please briefly discuss the status of prices in the gas commodity market that provides the basis for your initial cost of gas rate for the Summer Period.

A. As of March 8, 2013, the six-month NYMEX futures price strip for the 2013 summer was \$0.3587 per therm compared to \$0.2854 in the 2012 summer filing. The NYMEX strip for this summer reflects current and projected market conditions in the gas industry nationally. The current Cost of Gas (“COG”) reflects an increase from 2012 primarily resulting from the increase in NYMEX pricing offset by a reduction in hedging costs of \$346,318.

Q. How does the proposed average cost of gas rate in this filing compare to the initial cost of gas rate approved by the Commission for the 2012 Summer Period?

A. The cost of gas rate proposed in this filing is \$0.1614 per therm higher than the initial rate approved by the Commission for the 2012 Summer Period (\$0.6732 vs. \$0.5118). This increase is the result of: (1) an increase of \$0.1003 per therm in net gas costs (\$0.0085

1 per therm increase in demand costs and \$0.0918 per therm increase in commodity costs);
2 (2), an increase of \$0.0039 per therm in indirect gas costs, and; (3) an increase of \$0.0572
3 per therm primarily due to a one-time \$742,917 pipeline refund credit as well as a prior
4 period over collection of \$412,104 that had been included in the 2012 cost of gas
5 calculation. In addition, the 2013 summer cost of gas calculation includes a prior period
6 under collection of \$50,793.

7
8 **Q. What was the actual weighted average firm sales cost of gas rate for the 2012**
9 **Summer Period?**

10 A. The weighted average cost of gas rate for the 2012 Summer Period was approximately
11 \$0.5103 per therm. This was determined by applying the actual monthly cost of gas rates
12 for May 2012 through October 2012 to the monthly therm usage of a typical residential
13 heating customer using 1,250 therms per year, or 318 therms for the six summer period
14 months, for heat, hot water and cooking.

15
16 **Q. Please explain the prior period under collection of \$50,793.**

17 A. The prior period under collection is detailed in the 2012 Summer Period Reconciliation
18 Analysis included in Tab 14 of this filing. Over the 2012 Summer Period, allowable gas
19 costs of \$9,720,233 less the prior Summer Period over collection of \$1,165,849 was more
20 than the actual Gas Cost Revenue of \$8,503,591 by \$50,793. The net result is an ending
21 under collection balance of \$50,793 as of November 1, 2012 as shown on the 2012

1 Summer Period Reconciliation Analysis. Comparing the actual revenues billed and the
2 gas costs incurred to those that the Company projected in its initial 2012 Summer Period
3 Cost of Gas filing, the under recovery of \$50,793 is the net result of the following: (i) a
4 \$1,034 decrease in interest; (ii) a \$5,583 decrease in prior period balance, (iii) a \$3,162
5 decrease to the Company for occupant billings (as provided in the approved settlement in
6 Docket DG 07-129 and as discussed below), (iv) a \$2,105,289 decrease in actual gas
7 costs compared to projections; and (v) a \$2,165,862 reduction in gas cost revenue billed
8 compared to projections.
9

10 **III. CUSTOMER BILL IMPACTS**

11 **Q. What is the estimated impact of the proposed firm sales cost of gas rate on an**
12 **average heating customer's seasonal bill as compared to the rates in effect last year?**

13 A. The bill impact analysis is presented in Tab 8, Schedule 8 of this filing. The total bill
14 impact for a typical residential heating customer is an increase of approximately \$38, or
15 10.4% as compared to the average COG and LDAC for 2012 Off Peak season. The total
16 bill impact for a typical commercial/industrial G-41 customer is an increase of
17 approximately \$76, or 10.8% as compared to the average COG and LDAC for 2012 Off
18 Peak season. Schedule 8 of this filing provides more detail of the impact of the proposed
19 rate adjustments on heating customers. There is a small base rate bill decrease of \$0.07
20 for Residential heating customers and a decrease of \$0.10 for G-41 Commercial
21 customers resulting from the July 2012 implementation of the base rates approved in

DG 12-128.

IV. OTHER ISSUES

Q. In this filing, has the Company included actual historical occupant data as specified in Section E.3 of the occupant settlement approved in DG 07-129?

A. Yes, in Tab 15, the Company has provided historical data for “occupant” accounts for the period November 2011 through October 2012 that details the number of open and closed occupant accounts along with detailed monthly arrearage information. This provides the supporting data for the adjustment I mentioned earlier and as required by the approved settlement in Docket DG 07-129.

V. LOCAL DISTRIBUTION ADJUSTMENT CHARGE

Q. Is the Company proposing any changes to the Local Distribution Adjustment Charge in this filing?

A. The Company is not proposing any changes to the LDAC in this filing. The LDAC is typically adjusted as part of the winter period cost of gas proceeding.

Q. Does this conclude your testimony?

A. Yes, it does.