

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities

Winter 2014/2015 Cost of Gas
DG 14-_____

Prefiled Testimony of Francisco C. DaFonte

September 2, 2014

1 **Q. Mr. DaFonte, please state your name, business address and position with Liberty**
2 **Utilities (EnergyNorth Natural Gas) Corp. (“EnergyNorth” or “the Company”)**

3 A. My name is Francisco C. DaFonte. My business address is 11 Northeastern Boulevard,
4 Salem, New Hampshire 03079. My title is Vice President, Energy Procurement.

5
6 **Q. Mr. DaFonte, please summarize your educational background, and your business and**
7 **professional experience.**

8 A. I attended the University of Massachusetts at Amherst where I majored in Mathematics
9 with a concentration in Computer Science. In the summer of 1985 I was hired by
10 Commonwealth Gas Company (now NSTAR Gas Company), where I was employed
11 primarily as a supervisor in gas dispatch and gas supply planning for nine years. In 1994, I
12 joined Bay State Gas Company (now Columbia Gas of Massachusetts) where I held various
13 positions including Director of Gas Control and Director of Energy Supply Services. At the
14 end of October 2011, I was hired as the Director of Energy Procurement by Liberty Energy
15 Utilities (New Hampshire) Corp. and promoted to Sr. Director in July 2013 and Vice
16 President in July 2014. In this capacity, I provide gas procurement services to EnergyNorth.

17
18 **Q. Mr. DaFonte, are you a member of any professional organizations?**

19 A. Yes. I am a member of the Northeast Energy & Commerce Association, the American Gas
20 Association, the National Energy Services Association and the New England Canada
21 Business Council.

1 **Q. Mr. DaFonte, have you previously testified in regulatory proceedings?**

2 A. Yes, I have testified in a number of proceedings before the New Hampshire Public Utilities
3 Commission (“Commission”), the Massachusetts Department of Public Utilities, the Maine
4 Public Utilities Commission, the Indiana Utility Regulatory Commission and the Federal
5 Energy Regulatory Commission.

6

7 **Q. Mr. DaFonte, what is the purpose of your testimony in this proceeding?**

8 A. The purpose of this testimony is to summarize the gas supply and firm transportation
9 portfolio and the forecasted sendout requirements for EnergyNorth for the 2014/15 peak
10 season. This information is provided in significantly more detail in the schedules that the
11 Company is filing.

12

13 **Q. Mr. DaFonte, would you describe the firm transportation contract portfolio that the
14 Company now holds?**

15 A. The Company currently holds firm transportation contracts on Tennessee Gas Pipeline
16 (106,833 MMBtu/day) and Portland Natural Gas Transmission (1,000 MMBtu/day) to
17 provide a daily deliverability of 107,833 MMBtu/day to its city gate stations. Schedule 12,
18 page 1 in the Company's filing is a schematic diagram of these contracts, and Schedule 12,
19 page 2 is a table listing these contracts. These contracts provide delivery of natural gas
20 from three sources.

21

1 First, the Company holds firm transportation contracts to allow for delivery of up to 8,122
2 MMBtu/day of Canadian supply. These consist of the following:

- 3
- 4 ➤ The Company can receive up to 4,000 MMBtu/day of firm Canadian supply from
5 Dawn, Ontario. This supply is delivered to the Company on Company-held firm
6 transportation contracts on Union Gas Limited, TransCanada PipeLines Limited,
7 Iroquois Gas Transmission System, and Tennessee Gas Pipeline (“Tennessee”).
- 8 ➤ The Company can receive up to 3,122 MMBtu/day of firm Canadian supply from
9 the Canadian/New York border at Niagara Falls, NY. This supply is delivered to the
10 Company on Company-held firm transportation contracts on Tennessee.
- 11 ➤ The Company can receive up to 1,000 MMBtu/day of firm Canadian supply from a
12 Company-held firm transportation contract on Portland Natural Gas Transmission
13 System for delivery to its Berlin service territory.

14

15 Second, the Company holds the following firm transportation contracts to allow for delivery
16 of up to 71,596 MMBtu/day of domestic supply from the producing and market areas
17 within the United States.

- 18
- 19 ➤ The Company can receive up to 21,596 MMBtu/day of firm domestic supplies from
20 Texas and Louisiana production areas. These supplies are delivered to the Company
21 on firm transportation contracts on Tennessee.

1 ➤ The Company can receive up to 50,000 MMBtu/day of firm supply from
2 Tennessee's Dracut receipt point located in Dracut, Massachusetts. This supply is
3 delivered to the Company on two firm transportation contracts on Tennessee.

4
5 Third, the Company holds the following firm transportation contracts to allow for delivery
6 of up to 28,115 MMBtu/day of domestic supply from underground storage fields in the
7 New York/Pennsylvania area or the purchase of flowing supply in or downstream of
8 Tennessee Zones 4 and 5.

9
10 ➤ The Company can receive up to 19,076 MMBtu/day of firm domestic supplies from
11 its Tennessee FS-MA storage contract. This contract allows for a storage inventory
12 capacity of 1,560,391 MMBtu. These supplies are delivered to the Company on
13 firm transportation contracts on Tennessee.

14 ➤ The Company can receive up to 9,039 MMBtu/day of firm domestic supplies from
15 its storage contracts with National Fuel Gas Supply Corporation, Honeoye Storage
16 Corporation and Dominion Transmission, Inc. In aggregate, these contracts allow
17 for a storage inventory capacity of 1,019,740 MMBtu. These supplies are delivered
18 to the Company on a firm transportation contract on Tennessee.

19
20 **Q. Have there been any changes in the portfolio of firm transportation contracts that the**
21 **Company now holds since the Company submitted its 2013/14 Peak Period Cost Of**
22 **Gas Filing?**

1 A. The portfolio of firm transportation contracts that the Company currently holds has not
2 changed since the Company's 2013/14 Peak Period Cost of Gas Filing.

3

4 **Q. Would you describe the source of gas supplies used with these firm transportation**
5 **contracts?**

6 A. The firm transportation contracts that interconnect at the Canadian border source firm gas
7 supplies from both Eastern and Western Canada. The Company's domestic long-haul firm
8 transportation contracts source firm gas supplies primarily from the U.S. Gulf Coast during
9 the winter period and also provide access to natural gas supplies in the Marcellus Shale.
10 Supplies purchased at the Dracut, MA receipt point, on the other hand, can originate from
11 any of a number of locations including Canada, the U.S. Gulf Coast, and LNG terminals.

12

13 **Q. Will there be any changes in the portfolio of supply contracts held by the Company as**
14 **compared to the portfolio of contracts that existed when the Company submitted its**
15 **2013/14 Peak Period Cost Of Gas Filing?**

16 A. Yes. Typically, the Company negotiates a number of different supply contracts for delivery
17 during the peak period. Since its 2013/14 Peak Period filing, the Company has issued four
18 requests for proposals ("RFP") for the upcoming winter for supply. The first is for a
19 baseload Tennessee Zone 6 citygate or Dracut supply; the second is for its Canadian firm
20 transportation capacity interconnecting with Iroquois Gas Transmission, Inc. in
21 Waddington, NY, ("ANE"); the third is for its Tennessee long-haul capacity from the Gulf

1 Coast and the Zone 4 market area; and the last is for a Tennessee Zone 6 citygate or Dracut
2 swing supply with a call option.

3

4 **Q. Could you describe the RFP process in more detail?**

5 A. Yes. The Company issued an RFP for a baseload Tennessee Zone 6 citygate or Dracut
6 supply priced at NYMEX plus a fixed basis as a hedge against basis price spikes. This RFP
7 was issued in accordance with the Company's revised hedging plan which was approved by
8 the Commission in Order No. 25,691 in Docket No. DG 14-133. The Company received
9 several proposals for a delivered citygate supply and has selected Repsol as the winning
10 bidder.

11

12 The Company is also in the process of issuing an RFP for ANE supply originating from
13 Dawn, Ontario. The Company intends for this to also be an AMA transaction that will
14 provide a firm baseload supply during the peak period with index-based pricing.

15

16 With regard to its Tennessee long-haul firm transportation from the U.S. Gulf Coast, the
17 Company is also in the process of issuing an RFP for an AMA transaction coupled with a
18 delivered service during the peak period.

19

20 The Company has issued an RFP for a Tennessee Zone 6 citygate or Dracut supply with an
21 option for the Company to call on the supply as needed to meet day-to-day increases in
22 demand. As currently structured, the RFP is requesting a six-month delivered citygate

1 supply with swing nomination provisions. The price for this supply is expected to be
2 market area index based. The index would most likely correlate to the Tennessee Zone 6
3 index.

4

5 **Q. Could you provide the status of the Company's storage refill plan?**

6 A. Yes. During the 2014 off-peak period, the Company has been injecting supplies into its
7 underground storage fields. The Company plans to have all storage fields, with the
8 exception of its Tennessee FS-MA storage, 100 percent full by November 1, 2014; the
9 Tennessee FS-MA field is targeted to be 95 percent full by November 1, 2014. The 5
10 percent unfilled portion of FS-MA storage provides a buffer which allows the Company
11 operational flexibility to inject some of its Tennessee long-haul supply into storage if
12 needed due to weather fluctuations during the month of November. By December 1, 2014,
13 it is the Company's plan to have all of its storage fields 100 percent full.

14

15 **Q. Would you describe the additional sources of gas supply available to the Company
16 that do not require pipeline transportation capacity?**

17 A. The Company has two additional sources of gas supply available. First, the Company plans
18 to contract with GDF Suez and possibly one other company for liquid-only supply that can
19 be used to refill its LNG storage tanks during the peak period. Additionally, the Company
20 will be contracting for dedicated LNG trucking in order to refill its LNG storage inventory.
21 Since the Company's LNG storage capability is limited, having dedicated LNG trucks
22 allows the Company to replenish inventory as it is used, provides supply security for the

1 customers, and enables the Company to adhere to its seven-day storage inventory
2 requirement (Puc 506.03).

3
4 Second, the Company has refilled its propane inventory to 100% and may, if needed, fill an
5 additional 300,000 gallons of storage inventory that will become available at its Amherst
6 storage facility with the termination of its lease agreement with Amerigas. In addition, the
7 Company will contract for firm trucking capacity to ensure that the propane supplies will
8 get delivered and to allow the Company to adhere to its seven-day storage inventory
9 requirement (Puc 506.03).

10

11 **Q. Please describe the supplemental gas supply facilities available to the Company.**

12 A. The Company owns three LNG vaporization facilities in Concord, Manchester and Tilton
13 that have a combined design vaporization rate of approximately 22,800 MMBtu/day but are
14 limited operationally to a combined workable storage capacity of approximately 12,600
15 MMBtu. Any vaporization that occurs above the workable storage capacity of each facility
16 requires same day trucking refill that, at this time, is not required to satisfy the Company's
17 design day demand. The Company's LNG facilities are refilled with liquid from the
18 winning supplier(s) in the Company's RFP process.

19

20 Additionally, the Company owns four propane facilities in Amherst, Manchester, Nashua
21 and Tilton that have a combined design vaporization rate of approximately 34,600
22 MMBtu/day and a combined workable storage capacity of approximately 128,516 MMBtu

1 which includes an additional inventory capacity of approximately 27,523 Dth from the
2 Amherst facility which will become available on December 1, 2014 as a result of the
3 company's termination of its lease with Amerigas. Following the 2013/14 peak period, the
4 Company's propane facilities were refilled and they are ready for the 2014/15 peak period.
5 The Company will also have arrangements in place for its propane trucking needs for the
6 upcoming peak period.

7
8 Together, these LNG and propane facilities provide the Company and its customers with
9 necessary system pressure support during peak days as well as a critical gas supply source
10 to meet design day requirements. These facilities contribute to the Company's reliable,
11 flexible and least-cost resource portfolio.

12

13 **Q. Mr. DaFonte, what was the source of the projected sendout requirements and costs**
14 **used in this filing?**

15 A. As in prior cost of gas filings, the Company used projected sendout requirements and costs
16 from its internal budgets and forecasts.

17

18 **Q. Would you please describe the forecasted sendout requirements for the peak period of**
19 **2014/15?**

20 A. Schedule 11A of the Company's filing shows the Company's forecasted sendout
21 requirements for sales customers of 81,002,948 therms over the period November 1, 2014
22 through April 30, 2015 under normal weather conditions which is up 5.0 percent from last

1 year's forecasted value of 77,133,381 therms for the period November 1, 2013 through
2 April 30, 2014. In comparison, the normalized actual sendout for firm sales customers for
3 the November 1, 2013 through April 30, 2014 period was 77,296,811 therms
4 (Reconciliation Filing, Summary Page 5, 'Total Volume Weather Variance,' Column B).

5
6 Schedule 11B shows the Company's forecasted sendout requirements for sales customers of
7 82,566,046 therms over the period November 1, 2014 through April 30, 2015 under design
8 weather conditions, down 4.4 percent from last year's forecasted value of 86,356,210
9 therms for the period November 1, 2013 through April 30, 2014. For the current peak
10 period forecast, design weather requirements are 1.9 percent greater than normal sendout
11 requirements for weather that is 10.9 percent colder than normal.

12
13 In Schedule 11C, the Company summarizes the normal and design year sendout
14 requirements, the seasonally-available contract quantities, and the utilization rates of its
15 pipeline firm transportation and storage contracts.

16
17 Schedule 11D shows the Company's forecasted design day sendout for sales customers for
18 the upcoming 2014/15 winter of 1,065,130 therms, down 0.26 percent from last year's
19 figure of 1,067,969 therms.

20

1 **Q. Mr. DaFonte, has the Company's hedging program changed since the 2013/14 peak**
2 **period?**

3 A. Yes. The Company filed a petition with the Commission to modify its hedging
4 program which was docketed as DG 14-133. On July 10, 2014 the Commission issued
5 Order No. 25,691 approving the changes to the hedging program.

6
7 Under the modified hedging program, the Company will no longer hedge the NYMEX
8 futures price given the lack of volatility in the NYMEX and its relatively minor impact on
9 customer rates vis-à-vis market area basis. Instead, the Company will hedge its anticipated
10 market area base load purchases by conducting an RFP process each summer which seeks
11 bids to lock in the basis for those months in which the base load volumes are purchased.

12
13 **Q. Mr. DaFonte, has the Company's Fixed Price Option (FPO) program changed since**
14 **the 2013/14 peak period?**

15 A. Yes. The Company filed a petition with the Commission to modify its FPO program which
16 was docketed as DG 14-133. On July 10, 2014 the Commission issued Order No. 25,691
17 approving the changes to the program. Under the revised FPO program only
18 residential customers will be eligible to participate. The Company has not changed any
19 additional elements of the program.

20

1 **Q. Mr. DaFonte, has the Company adjusted its FPO premium paid by all participants in**
2 **the program given the price volatility in the market area last year?**

3 A. No. With the implementation of the revised hedging program, the Company feels that is
4 premature to increase the option premium but it will reevaluate the premium cost following
5 the upcoming winter period.

6
7 **Q. Mr. DaFonte, has the Company made any changes to its Retail Choice program?**

8 A. Yes. The Company is reallocating 26,000 Dth of its Dracut capacity from its company
9 managed peaking service to its pipeline resources. The extreme volatility coupled with the
10 fact that this capacity is in fact a pipeline resource drove the Company's decision.
11 Previously, as part of the Company's peaking service it was necessary to estimate how
12 much and at what price the Company would purchase Dracut supplies during peak periods
13 in the spot market. Needless to say, this methodology of forecasting simply doesn't work in
14 a capacity constrained and volatile market place which makes it very difficult for the
15 Company and retail marketers to manage their cost estimates. Under the new allocation
16 methodology, retail marketers will take direct assignment of their allocated share of Dracut
17 capacity and will have the freedom to manage their purchases at Dracut as they choose
18 based on what's in the best interest to their customers.

19
20 **Q. Mr. DaFonte, has the Company made any other changes to its Retail Choice program?**

21 A. Yes. In another effort to balance the appropriate allocation of costs and to provide retail
22 marketers with greater control of their capacity, the Company is no longer requiring Retail

1 marketers to purchase gas from the Company from the Waddington, NY purchase point on
2 Iroquois Gas Transmission. The Company will instead directly assign the Iroquois and
3 Tennessee capacity to the marketers, again, providing them with greater control of their
4 capacity. The Company will utilize the Union and TransCanada capacity to serve its sales
5 customers exclusively.

6

7 **Q. Does this conclude your direct prefiled testimony in this proceeding?**

8 **A. Yes, it does.**