

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

EnergyNorth Natural Gas, Inc.
d/b/a Liberty Utilities

Winter 2012/2013 Cost of Gas
DG 12-_____

Prefiled Testimony of Francisco C. DaFonte

August 31, 2012

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1 **Q. Mr. DaFonte, please state your name, business address and position with EnergyNorth**
2 **Natural Gas, Inc. (“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 Director, Energy Procurement.

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 2012, I was hired as the Director of Energy Procurement by Liberty Energy
15 Utilities (New Hampshire) Corp. In this capacity, I provide gas procurement services to
16 EnergyNorth.

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, the Massachusetts Department of Public Utilities, the Maine Public Utilities
4 Commission, the Indiana Utility Regulatory Commission and the Federal Energy
5 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 2012/13 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.

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.

1 **Q. Have there been any changes in the portfolio of firm transportation contracts that the**
2 **Company now holds since the Company submitted its 2010/11 Peak Period Cost Of**
3 **Gas Filing?**

4 A. The portfolio of firm transportation contracts that the Company currently holds has not
5 changed since the Company's 2011/12 Peak Period Cost of Gas Filing.
6

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

9 A. The firm transportation contracts that interconnect at the Canadian border source firm gas
10 supplies from both Eastern and Western Canada. The Company's domestic long-haul firm
11 transportation contracts source firm gas supplies primarily from the U.S. Gulf Coast during
12 the winter period and also provide access to natural gas supplies in the Marcellus Shale.
13 Supplies purchased at the Dracut, MA receipt point, on the other hand, can originate from
14 any of a number of locations including Canada, the U.S. Gulf Coast, and LNG terminals.
15

16 **Q. Have there been any changes in the portfolio of supply contracts that the Company**
17 **now holds since the Company submitted its 2011/12 Peak Period Cost Of Gas Filing?**

18 A. Yes. Typically, the Company negotiates a number of different supply contracts for delivery
19 during the peak period. Since its 2011/12 Peak Period filing, the Company finalized two
20 request for proposals ("RFP") for the upcoming winter for supply: one for its Tennessee
21 Zone 6 firm transportation capacity with Repsol and one for its Canadian firm

1 transportation capacity interconnecting with Iroquois Gas Transmission, Inc. in
2 Waddington, NY, ("ANE").
3

4 In response to its Zone 6 RFP, the Company selected Repsol as the winning bidder. The
5 contract is a capacity management arrangement whereby the Company receives a six-month
6 supply with both baseload and swing nomination provisions. The price for this supply is
7 index based. The index correlates to the receipt point on the Company's firm transportation
8 contract.
9

10 The Company is in the process of finalizing its contract for peak-period supply for its ANE
11 supply originating from Dawn, Ontario. The Company intends that this will also be a
12 capacity management arrangement that will provide a firm baseload supply during the peak
13 period with index-based pricing.
14

15 With regards to its Tennessee long-haul firm transportation from the U.S. Gulf Coast, the
16 Company anticipates conducting an RFP for a capacity management arrangement coupled
17 with a delivered service during the peak period. As for its Tennessee market-area firm
18 transportation from Niagara, the Company intends to purchase firm gas supplies on a
19 month-to-month basis during the peak period.
20

1 As the Commission is aware, the Company's supply-sharing agreement with Granite Ridge
2 Energy, LLC ("Granite Ridge") expired and the Company was not able to negotiate a new
3 contract with Granite Ridge.

4
5 Finally, during the 2012 off-peak period, the Company has been injecting supply into its
6 underground storage fields. The Company plans to have all storage fields, with the
7 exception of its Tennessee FS-MA storage, 100 percent full by November 1, 2012; the
8 Tennessee FS-MA field is targeted to be 95 percent full by November 1, 2012. The 5
9 percent unfilled portion of FS-MA storage provides a buffer which allows the Company
10 operational flexibility to inject some of its Tennessee long-haul supply into storage if
11 needed due to weather fluctuations during the month of November. By December 1, 2012,
12 it is the Company's plan to have all of its storage fields 100 percent full.

13
14 **Q. Would you describe the additional sources of gas supply available to the Company**
15 **that do not require pipeline transportation capacity?**

16 **A.** The Company has two additional sources of gas supply available to it.

17
18 First, the Company plans to contract with Distrigas for liquid-only supply that can be used
19 to refill its LNG storage tanks during the peak period. Additionally, the Company will be
20 contracting for dedicated LNG trucking in order to refill its LNG storage inventory. Since
21 the Company's LNG storage capability is limited, having dedicated LNG trucks allows the

1 Company to replenish inventory as it is used, provides supply security for the customers,
2 and enables the Company to adhere to its seven-day storage inventory requirement (Puc
3 506.03).

4
5 Second, when supplies are available and when it is cost-effective, the Company can obtain
6 firm supplies from market participants that are deliverable at the Company's city gate
7 stations.

8
9 **Q. Please describe the supplemental gas supply facilities available to the Company?**

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

16
17 Additionally, the Company owns four propane facilities in Amherst, Manchester, Nashua
18 and Tilton that have a combined design vaporization rate of approximately 34,600
19 MMBtu/day and a combined workable storage capacity of approximately 100,993 MMBtu.
20 Following the 2011/12 peak period, the Company's propane facilities were refilled and they

1 are ready for the 2012/13 peak period. The Company will also have arrangements in place
2 for its propane trucking needs for the upcoming peak period.
3

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

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

11 A. As in prior cost of gas filings, the Company used projected sendout requirements and costs
12 from its internal budgets and forecasts.
13

14 **Q. Would you please describe the forecasted sendout requirements for the peak period of**
15 **2012/13?**

16 A. Schedule 11A of the Company's filing shows the Company's forecasted sendout
17 requirements for sales customers of 79,988,370 therms over the period November 1, 2012
18 through April 30, 2013 under normal weather conditions which is down 6.2 percent from
19 last year's forecasted value of 85,279,059 therms for the period November 1, 2011 through
20 April 30, 2012. In comparison, the normalized actual sendout to sales customers for the

1 November 1, 2011 through April 30, 2012 period was 77,928,952 therms (Reconciliation
2 Filing, Summary Page 5, 'Total Volume Weather Variance,' Column B).

3
4 Schedule 11B shows the Company's forecasted sendout requirements for sales customers of
5 88,940,431 therms over the period November 1, 2012 through April 30, 2013 under design
6 weather conditions, down 4.5 percent from last year's forecasted value of 93,105,329
7 therms for the period November 1, 2011 through April 30, 2012. For the current peak
8 period forecast, design weather requirements are 11.2 percent greater than normal sendout
9 requirements for weather that is 8.6 percent colder than normal.

10
11 In Schedule 11C, the Company summarizes the normal and design year sendout
12 requirements, the seasonally-available contract quantities, and the utilization rates of its
13 pipeline firm transportation and storage contracts.

14
15 Schedule 11D shows the Company's forecasted design day sendout for sales customers for
16 the upcoming 2012/13 winter of 1,133,557 therms, up 1.5 percent from last year's figure of
17 1,116,671 therms.

18
19 **Q. Does this conclude your direct prefled testimony in this proceeding?**

20 **A.** Yes, it does.