

**STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION**

Docket No. DG 14-____

Liberty Utilities (EnergyNorth Natural Gas) Corp.
Summer 2014 Cost of Gas Filing

**DIRECT TESTIMONY

OF

FRANCISCO C. DAFONTE**

March 17, 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 Senior Director, Energy Procurement.

5
6 **Q. Mr. DaFonte, please summarize your educational background, and your business**
7 **and 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,
12 I joined Bay State Gas Company (now Columbia Gas of Massachusetts) where I held
13 various positions including Director of Gas Control and Director of Energy Supply
14 Services. At the end of October 2011, I was hired as the Director of Energy Procurement
15 by Liberty Energy Utilities (New Hampshire) Corp. and promoted to Sr. Director in July
16 2013. 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
20 Gas 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
3 Utilities Commission, the Massachusetts Department of Public Utilities, the Maine Public
4 Utilities Commission, the Indiana Utility Regulatory Commission, the Georgia Public
5 Service Commission, the Missouri Public Service Commission and the Federal Energy
6 Regulatory Commission.

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

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

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

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

22

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
10 the 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
12 a Company-held firm transportation contract on Portland Natural Gas
13 Transmission System for delivery to its Berlin service territory.
- 14

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

- 18
- 19 ➤ The Company can receive up to 21,596 MMBtu/day of firm domestic supplies
20 from Texas and Louisiana production areas. These supplies are delivered to the
21 Company 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
6 delivery of up to 28,115 MMBtu/day of domestic supply from underground storage fields
7 in the New York/Pennsylvania area or the purchase of flowing supply in or downstream
8 of Tennessee Zones 4 and 5.

- 9
10 ➤ The Company can receive up to 19,076 MMBtu/day of firm domestic supplies
11 from its Tennessee FS-MA storage contract. This contract allows for a storage
12 inventory capacity of 1,560,391 MMBtu. These supplies are delivered to the
13 Company on 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
18 delivered 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**
2 **the Company now holds since the Company submitted its 2013 Off Peak (Summer)**
3 **Period Cost of Gas Filing?**

4 A. No. The portfolio of firm transportation contracts that the Company currently holds has
5 not changed since the Company's 2013/14 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
11 firm transportation contracts source firm gas supplies primarily from the U.S. Gulf Coast
12 during the winter period and also provide access to natural gas supplies in the Marcellus
13 Shale. Supplies purchased at the Dracut, MA receipt point, on the other hand, can
14 originate from any of a number of locations including Eastern Canada, Western Canada,
15 the U.S. Gulf Coast, the Marcellus shale and LNG import terminals.
16

17 **Q. Have there been any changes in the portfolio of supply contracts that the Company**
18 **now holds since the Company submitted its 2013 Off Peak Cost of Gas Filing?**

19 A. Yes. Since its 2013 Off Peak Period filing, the Company finalized three requests for
20 proposals ("RFP") for supply: one for a Tennessee Zone 6 firm delivered city gate
21 service; one for its Canadian firm transportation capacity on Union Gas and TransCanada
22 Pipelines interconnecting with Iroquois Gas Transmission, Inc. in Waddington, NY,

1 (“ANE”); and one for its Tennessee long-haul capacity from the Gulf Coast and Zone 4.

2
3 In response to its Zone 6 city gate delivered service RFP, the Company entered into gas
4 supply agreements with BP Energy (“BP”) and Repsol Energy North America Corp.
5 (“Repsol”). The contracts are for delivered city gate supplies for up to a six-month period
6 from November 1, 2013 – April 30, 2014 with both baseload and swing nomination
7 provisions. The price for this supply is index based. The index correlates to the
8 Tennessee Zone 6 city gate price. A copy of these contracts was provided in the
9 Company’s 2013 -2014 Winter Period Cost of Gas filing in Docket No. DG 13-251.

10
11 The Company also finalized an AMA contract with Emera Energy Services (“Emera”) for
12 the management of its Canadian capacity associated with ANE. Emera retains the
13 Canadian capacity from November 1, 2013 through October 31, 2014 and provides for a
14 base load supply originating from Dawn, Ontario and delivered to EnergyNorth at
15 Waddington, NY for the months of November 2013 through March 2014 with index-
16 based pricing. For the April – October 2014 period, the Company retains its Iroquois and
17 TGP capacity, allowing it to purchase supply at Waddington if customer demand and
18 pricing permit. A copy of this contract was provided in the Company’s 2013 -2014
19 Winter Period Cost of Gas filing in Docket No. DG 13-251.

20
21 With regard to its Tennessee long-haul RFP, the Company entered into an AMA with
22 Repsol from November 1, 2013 through April 30, 2014. The agreement with Repsol calls

1 for varying monthly base load supplies delivered to the Company's city gates during the
2 term of the contract with call options for incremental supply during specific months set
3 forth in the agreement. A copy of this contract was provided in the Company's 2013 -
4 2014 Winter Period Cost of Gas filing in Docket No. DG 13-251.

5
6 **Q. Does the Company have any supplemental gas supply facilities available?**

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

13
14 Additionally, the Company owns four propane facilities in Amherst, Manchester, Nashua
15 and Tilton that have a combined design vaporization rate of approximately 34,600
16 MMBtu/day and a combined workable storage capacity of approximately 100,993
17 MMBtu.

18
19 Together, these LNG and propane facilities provide the Company and its customers with
20 necessary system pressure support during peak days as well as a critical gas supply source
21 to meet design day requirements. These facilities contribute to the Company's reliable,
22 flexible and least-cost resource portfolio.

1 These supplemental facilities are not normally used to provide supply service during the
2 off-peak period, but they are available for maintaining system integrity. These
3 supplemental supply facilities will be refilled prior to the winter season and will be tested
4 for operational integrity in preparation for peak period utilization.
5

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

8 A. As in prior cost of gas filings, the Company used projected sendout requirements and
9 costs from its internal budgets and forecasts as a means of projecting the cost of gas for
10 the off-peak period.
11

12 **Q. Would you please describe the forecasted sendout requirements for the off-peak**
13 **period of 2014?**

14 A. Schedule 11A of the Company's filing shows the Company's forecasted sendout
15 requirements of 19,928,944 Therms over the period May 1, 2014 through October 31,
16 2014 under normal weather conditions. This forecast reflects a slight increase in sales
17 volumes with transportation load remaining relatively flat when compared to the 2013
18 forecast. In comparison, for the prior off-peak period, the Company had forecasted
19 normal sendout requirements of 19,490,624 Therms. Based on the Company's
20 preliminary analysis, the actual normalized sendout for May – October 2013 was
21 19,393,497 Therms, with the ratio of sales-to-customer choice customers from its 2013
22 forecast remaining essentially unchanged.

1 Schedule 11B shows the Company's forecasted sendout requirements of 20,181,888
2 Therms over the period May 1, 2014 through October 31, 2014 under design weather
3 conditions. In comparison, the Company had forecasted design sendout requirements of
4 21,429,615 Therms over the period May 1, 2013 through October 31, 2013 in its 2013
5 Off-Peak Period filing.

6
7 The slight increase in the forecasted normal sendout reflects increased sales due to a
8 slight economic rebound from the 2013 off-peak period to the 2014 off-peak period. The
9 decrease in design sendout requirements from the 2013 off-peak period to the 2014 off-
10 peak period is due to a reduced impact of design weather on the Company's off-peak
11 sales load.

12
13 In Schedule 11C, the Company summarizes the normal and design off-peak sendout
14 requirements, the seasonally-available contract quantities, and the calculated utilization
15 rates of its pipeline transportation and storage contracts based on the normal and design
16 off-peak forecasts contained in Schedules 11A and 11B.

17
18 **Q. Does this conclude your direct prefled testimony in this proceeding?**

19 **A.** Yes, it does.