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

Docket No. DG 15-XXX

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities
Winter 2015/2016 Cost of Gas Filing

August 28, 2015

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DIRECT TESTIMONY
OF
FRANCISCO C. DAFONTE

August 28, 2015

1 **I. INTRODUCTION**

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

4 A. My name is Francisco C. DaFonte. My business address is 15 Buttrick Road, Londonderry,
5 New Hampshire 03053. My title is Vice President, 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 Eversource Energy), where I was employed primarily
11 as a supervisor in gas dispatch and gas supply planning for nine years. In 1994, I joined
12 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 **Q. Mr. DaFonte, are you a member of any professional organizations?**

18 A. Yes. I am a member of the Northeast Energy & Commerce Association, the American Gas
19 Association, the National Energy Services Association and the New England Canada
20 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 **Q. Mr. DaFonte, what is the purpose of your testimony in this proceeding?**

7 A. The purpose of this testimony is to summarize the gas supply and firm transportation
8 portfolio and the forecasted sendout requirements for EnergyNorth for the 2015/16 peak
9 season. This information is provided in significantly more detail in the schedules that the
10 Company is filing.

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

13 A. The Company currently holds firm transportation contracts on Tennessee Gas Pipeline
14 (106,833 MMBtu/day) and Portland Natural Gas Transmission (1,000 MMBtu/day) to
15 provide a daily deliverability of 107,833 MMBtu/day to its city gate stations. Schedule 12,
16 page 1 in the Company's filing is a schematic diagram of these contracts, and Schedule 12,
17 page 2 is a table listing these contracts. These contracts provide delivery of natural gas
18 from three sources.

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

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

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

- The Company can receive up to 21,596 MMBtu/day of firm domestic supplies from Texas and Louisiana production areas. These supplies are delivered to the Company on firm transportation contracts on Tennessee.
- The Company can receive up to 50,000 MMBtu/day of firm supply from Tennessee’s Dracut receipt point located in Dracut, Massachusetts. This supply is delivered to the Company on two firm transportation contracts on Tennessee.

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

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

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

14 **Q. Have there been any changes in the portfolio of firm transportation contracts that the**
15 **Company now holds since the Company submitted its 2014/15 Peak Period Cost Of**
16 **Gas Filing?**

17 A. The portfolio of firm transportation contracts that the Company currently holds has not
18 changed since the Company's 2014/15 Peak Period Cost of Gas Filing.

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

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

10 **Q. Will there be any changes in the portfolio of supply contracts held by the Company as**
11 **compared to the portfolio of contracts that existed when the Company submitted its**
12 **2014/15 Peak Period Cost Of Gas Filing?**

13 A. Yes. Typically, the Company negotiates a number of different supply contracts for delivery
14 during the peak period. Since its 2014/15 Peak Period filing, the Company has issued four
15 requests for proposals ("RFP") for supply for the upcoming winter period. The first is for a
16 baseload Tennessee Zone 6 citygate or Dracut supply; the second is for its Canadian firm
17 transportation capacity interconnecting with Iroquois Gas Transmission, Inc. in
18 Waddington, NY, ("ANE"); the third is for its Tennessee long-haul capacity from the Gulf
19 Coast and the Zone 4 market area; and the last is for a Tennessee Zone 6 citygate or Dracut
20 swing supply with a call option.

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

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

8 The Company has also issued an RFP for ANE supply originating from Dawn, Ontario.

9 The Company intends to enter into an Asset Management Agreement ("AMA") transaction
10 that will provide a firm baseload supply during the peak period with index-based pricing.

11 With regard to its Tennessee long-haul firm transportation from the U.S. Gulf Coast, the
12 Company has also issued an RFP for an AMA transaction coupled with a delivered service
13 during the peak period.

14 The Company has issued an RFP for a Tennessee Zone 6 citygate or Dracut supply with an
15 option for the Company to call on the supply as needed to meet day-to-day increases in
16 demand. As currently structured, the RFP is requesting a six-month Dracut or delivered
17 citygate supply with swing nomination provisions whereby it intends to release its Dracut
18 capacity to the winning bidder as needed. The price for this supply is expected to be market
19 area index based. The index would most likely correlate to the Tennessee Zone 6 index.

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

2 A. Yes. During the 2015 off-peak period, the Company has been injecting supplies into its
3 underground storage fields. The Company plans to have all storage fields, with the
4 exception of its Tennessee FS-MA storage, 100 percent full by November 1, 2015; the
5 Tennessee FS-MA field is targeted to be 95 percent full by November 1, 2015. The 5
6 percent unfilled portion of FS-MA storage provides a buffer which allows the Company
7 operational flexibility to inject some of its Tennessee long-haul supply into storage if
8 needed due to weather fluctuations during the month of November. By December 1, 2015,
9 it is the Company's plan to have all of its storage fields 100 percent full.

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

12 A. The Company has two additional sources of gas supply available. First, the Company plans
13 to contract with one or more LNG providers for liquid-only supply that can be used to refill
14 its LNG storage tanks during the peak period. Additionally, the Company will be
15 contracting for dedicated LNG trucking in order to refill its LNG storage inventory. Since
16 the Company's LNG storage capability is limited, having dedicated LNG trucks allows the
17 Company to replenish inventory as it is used, provides supply security for the customers,
18 and enables the Company to adhere to its seven-day storage inventory requirement (Puc
19 506.03).

20 Second, the Company has refilled its propane inventory to 100% including approximately
21 300,000 gallons of storage inventory at its Amherst storage facility. In addition, the

1 Company will contract for firm trucking capacity to ensure that it can move propane
2 supplies at its Amherst facility to its other propane facilities that are capable of vaporizing
3 directly into its distribution system.

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

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

12 Additionally, the Company owns four propane facilities in Amherst, Manchester, Nashua
13 and Tilton that have a combined design vaporization rate of approximately 34,600
14 MMBtu/day and a combined workable storage capacity of approximately 134,485 MMBtu.
15 The Company has allocated approximately 27,390 MMBtu of the Amherst capacity to its
16 Keene Division leaving approximately 107,095 MMBtu of combined workable storage
17 capacity for EnergyNorth. The Company's propane facilities were refilled during the
18 summer and they are ready for the 2015/16 peak period. The Company will also have
19 arrangements in place for its propane trucking needs for the upcoming peak period.

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

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

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

9 **Q. Would you please describe the forecasted sendout requirements for the peak period of**
10 **2015/16?**

11 A. Schedule 11A of the Company's filing shows the Company's forecasted sendout
12 requirements for sales customers of 92,102,397 therms over the period November 1, 2015
13 through April 30, 2016 under normal weather conditions which is up 15.5% percent from
14 last year's forecasted value of 79,770,899 therms for the period November 1, 2014 through
15 April 30, 2015. In comparison, the normalized actual sendout for firm sales customers for
16 the November 1, 2014 through April 30, 2015 period was 82,092,210 therms
17 (Reconciliation Filing, Summary Page 5, 'Total Volume Weather Variance,' Column B).

18 Schedule 11B shows the Company's forecasted sendout requirements for sales customers of
19 100,910,611 therms over the period November 1, 2015 through April 30, 2016 under design
20 weather conditions, up 14.4 percent from last year's forecasted value of 88,209,150 therms

1 for the period November 1, 2014 through April 30, 2015. For the current peak period
2 forecast, design weather requirements are 9.6 percent greater than normal sendout
3 requirements for weather that is 10.9 percent colder than normal.

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

7 Schedule 11D shows the Company's forecasted design day sendout for sales customers for
8 the upcoming 2015/16 winter of 1,134,863 therms, up 6.5 percent from last year's figure of
9 1,065,130 therms.

10 This significant increase in normal year, design year and design day demand is driven by
11 the inclusion of the iNATGAS load as well as the load from capacity-exempt customers
12 who have returned to sales service and are expected to remain on sales service through the
13 peak period. The demand forecast for the winter period 2014/15 did not include any
14 anticipated load from iNATGAS or returning capacity-exempt customers.

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

17 **A.** No. With the implementation of its revised hedging program for the winter of 2014/15, the
18 Company was able to mitigate some of the price volatility in the COG and feels that an
19 increase in the option premium is not warranted at this time. However, the Company will
20 reevaluate the premium cost should market volatility increase again.

1 **Q. Mr. DaFonte, has the Company experienced continued growth in the Tilton area?**

2 A. Yes. The Company continues to see strong growth in the Tilton area in the form of C&I and
3 residential load. As discussed below, the Company is prepared to serve this new load in the
4 long-term through the planned Highline uprate and in the short-term through temporary
5 system enhancements such as additional LNG vaporization.

6 **Q. Mr. DaFonte, has the Company made progress on its planned uprate of the Tilton**
7 **Highline?**

8 A. Yes. The Company is scheduled to install 6 miles of 12" 300psig Maximum Allowable
9 Operating Pressure pipe next year to increase the flow volume into the Tilton service area.
10 The survey, design and permitting is currently under contract and in progress.

11 **Q. Has the Company instituted any changes to its operating plans for the Tilton area in**
12 **advance of the planned uprate?**

13 A. Yes. The Company has leased a 60 Mcfh ambient LNG vaporizer to provide redundancy at
14 the Tilton LNG plant. Additional satellite LNG vaporization is also being considered in the
15 Laconia/Gilford area. The Company intends to make a decision on the additional LNG
16 vaporization once final growth numbers are determined.

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

18 A. Yes, it does.