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

Docket No. DG 16-____

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

Summer 2016 Cost of Gas Filing

March 16, 2016

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**DIRECT TESTIMONY

OF

FRANCISCO C. DAFONTE**

March 16, 2016

1 **Q. Mr. DaFonte, please state your name, business address and position.**

2 A. My name is Francisco C. DaFonte. My business address is 15 Buttrick Road,
3 Londonderry, New Hampshire 03053. My title is Vice President, Energy Procurement.

4 **Q. By whom are you employed?**

5 A. I am employed by Liberty Utilities Service Corp. (“Liberty”) which provides services to
6 Liberty Utilities (EnergyNorth Natural Gas) Corp. (“EnergyNorth or “the Company”).

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

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

1 Gas Association, the National Energy Services Association and the New England Canada
2 Business Council.

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

4 A. Yes, I have testified in a number of proceedings before the New Hampshire Public
5 Utilities Commission, the Massachusetts Department of Public Utilities, the Maine Public
6 Utilities Commission, the Indiana Utility Regulatory Commission, the Georgia Public
7 Service Commission, the Missouri Public Service Commission and the Federal Energy
8 Regulatory Commission.

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

10 A. The purpose of this testimony is to summarize the gas supply and firm transportation
11 portfolio and the forecasted sendout requirements for EnergyNorth for the 2016 off-peak
12 season. This information is provided in significantly more detail in the schedules that the
13 Company is filing.

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

1 Schedule 12, page 2 is a table listing these contracts. These contracts provide delivery of
2 natural gas from three sources.

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

5 ➤ The Company can receive up to 4,000 MMBtu/day of firm Canadian supply from
6 Dawn, Ontario. This supply is delivered to the Company on Company-held firm
7 transportation contracts on Union Gas Limited, TransCanada Pipelines Limited,
8 Iroquois Gas Transmission System, and Tennessee Gas Pipeline (“Tennessee”).

9 ➤ The Company can receive up to 3,122 MMBtu/day of firm Canadian supply from
10 the Canadian/New York border at Niagara Falls, NY. This supply is delivered to
11 the Company on Company-held firm transportation contracts on Tennessee.

12 ➤ The Company can receive up to 1,000 MMBtu/day of firm Canadian supply from
13 a Company-held firm transportation contract on Portland Natural Gas
14 Transmission System for delivery to its Berlin service territory.

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.

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

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

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

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

15 ➤ The Company can receive up to 9,039 MMBtu/day of firm domestic supplies from
16 its storage contracts with National Fuel Gas Supply Corporation, Honeoye Storage
17 Corporation, and Dominion Transmission, Inc. In aggregate, these contracts allow
18 for a storage inventory capacity of 1,019,740 MMBtu. These supplies are
19 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 2015 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 2015 Off Peak Period Cost of Gas Filing.

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

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

15 **Q. Have there been any changes in the portfolio of supply contracts that the Company**
16 **now holds since the Company submitted its 2015 Off Peak Cost of Gas Filing?**

17 A. Yes. Since its 2015 Off Peak Period filing, the Company finalized five requests for
18 proposals ("RFP") for supply and/or asset management: one for a Tennessee Zone 6 firm
19 delivered baseload city gate or Dracut service; one for a Tennessee Zone 6 firm delivered
20 call option city gate or Dracut service; one for its Canadian firm transportation capacity

1 on Union Gas and TransCanada Pipelines interconnecting with Iroquois Gas
2 Transmission, Inc. in Waddington, NY, ("ANE"); one for its Tennessee long-haul
3 capacity from the Gulf Coast and Zone 4; and one for a firm winter LNG service.

4 In response to its Zone 6 baseload city gate or Dracut delivered service RFP, the
5 Company entered into a fixed basis and gas supply agreement with Repsol Energy North
6 America Corp. ("Repsol"). For its Zone 6 delivered city gate/Dracut call option supply,
7 the Company entered into an agreement with BP Energy Company ("BP"). The baseload
8 supply contract had a term of December 1, 2015 through February 29, 2016, and the city
9 gate or Dracut call option had a term of November 1, 2015 through April 30, 2016. The
10 price for the baseload volumes with Repsol incorporated a fixed basis and a floating
11 NYMEX price in accordance with the Company's revised hedging program approved in
12 Docket No. DG 14-133. The price for the delivered city gate/Dracut call option is index
13 based and correlates to the Tennessee Zone 6 city gate price.

14 The Company also finalized an Asset Management Agreement (AMA) contract with
15 Emera Energy Marketing ("Emera") for the management of its Canadian capacity. Emera
16 retains the Canadian capacity from November 1, 2015 through October 31, 2016, and
17 provides a base load supply originating from Dawn, Ontario delivered to EnergyNorth at
18 Waddington, NY for the months of November 2015 through March 2016 with index-
19 based pricing. For the April through October 2016 period, the Company retains its

1 Iroquois and TGP capacity, allowing it to purchase supply at Waddington if customer
2 demand and pricing dictate.

3 With regard to its Tennessee long-haul RFP, the Company entered into an AMA with
4 Repsol from November 1, 2015 through April 30, 2016. The agreement with Repsol calls
5 for varying monthly base load supplies delivered to the Company's city gates during the
6 term of the contract with call options for incremental supply during specific months set
7 forth in the agreement.

8 The Company also entered into an LNG supply agreement with GDF Suez Gas NA LLC
9 ("GDF"). The agreement with GDF makes available 250,000 Dth of LNG to the
10 Company for liquid required to replenish its LNG inventories from November 1, 2015
11 through March 31, 2016.

12 A copy of each of the contracts described above was previously provided in confidential
13 and redacted versions in the Winter 2015-2016 Cost of Gas filing in response to Staff
14 data request Staff 1-13.

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

16 A. Yes. The Company owns three LNG vaporization facilities in Concord, Manchester, and
17 Tilton that have a combined design vaporization rate of approximately 22,800
18 MMBtu/day, but are limited operationally to a combined workable storage capacity of

1 approximately 12,600 MMBtu. Any vaporization that occurs above the workable storage
2 capacity of each facility requires same day trucking refill that, at this time, is not required
3 to satisfy the Company's design day demand.

4 Additionally, the Company owns four propane facilities in Amherst, Manchester, Nashua,
5 and Tilton that have a combined design vaporization rate of approximately 34,600
6 MMBtu/day and a combined workable storage capacity of approximately 100,993
7 MMBtu.

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

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

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

6 **Q. Would you please describe the forecasted sendout requirements for the off-peak**
7 **period of 2016?**

8 A. Schedule 11A of the Company's filing shows the Company's forecasted sendout
9 requirements of 20,365,512 Therms over the period May 1, 2016 through October 31,
10 2016 under normal weather conditions. This forecast reflects a 2.6% decrease in sales
11 volumes when compared to the 2015 forecast, which stems from the increased migration
12 of customers to transportation service. In comparison, for the prior off-peak period, the
13 Company had forecast normal sendout requirements of 20,909,363 Therms. Based on the
14 Company's preliminary analysis, the actual normalized sendout for May through October
15 2015 was 18,710,070 Therms, with the ratio of sales-to-transportation customers from its
16 2015 forecast decreasing due to the migration of approximately 156 customers to
17 transportation service.

18 Schedule 11B shows the Company's forecasted sendout requirements of 20,998,997
19 Therms over the period May 1, 2016 through October 31, 2016 under design weather
20 conditions. In comparison, the Company had forecast design sendout requirements of

1 21,177,637 Therms over the period May 1, 2015 through October 31, 2015 in its 2015

2 Off-Peak Period filing.

3 The decrease in the forecasted normal and design sendout from the 2015 off-peak period
4 to the 2016 off-peak period reflects increased sales due to incremental customer growth
5 offset by the continued migration of customers to transportation service.

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

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

11 A. Yes, it does.

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