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N.H.P.U.C. Case No.	DG 15-117
Exhibit No.	#1
Witness	Panel #1
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**STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION**

Docket No. DG 15-___

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities - Keene Division
Summer 2015 Cost of Gas Filing

**DIRECT TESTIMONY
OF
FRANCISCO C. DAFONTE
AND
DAVID B. SIMEK**

April 1, 2015

1 **I INTRODUCTION**

2 **Q. Please state your full name, business address and positions.**

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

5 My name is David B. Simek. My business address is 15 Buttrick Road, Londonderry,
6 New Hampshire 03053. My title is Regulatory Lead Utility Analyst.

7 **Q. Please describe your educational background, and your business and professional**
8 **experience.**

9 A. **Mr. DaFonte**

10 I attended the University of Massachusetts at Amherst where I majored in Mathematics
11 with a concentration in Computer Science. In the summer of 1985 I was hired by
12 Commonwealth Gas Company (now Eversource Energy), where I was employed
13 primarily as a supervisor in gas dispatch and gas supply planning for nine years. In 1994,
14 I joined Bay State Gas Company (now Columbia Gas of Massachusetts) where I held
15 various positions including Director of Gas Control and Director of Energy Supply
16 Services. At the end of October 2011, I was hired as the Director of Energy Procurement
17 by Liberty Energy Utilities (New Hampshire) Corp. and promoted to Sr. Director in July
18 2013 and Vice President in July 2014. In this capacity, I provide gas procurement

1 services to EnergyNorth.

2 **Mr. Simek**

3 I graduated from Ferris State University in 1993 with a Bachelor of Science in Finance. I
4 received a Master's of Science in Finance from Walsh College in 2000. I also received a
5 Master's of Business Administration from Walsh College in 2001. In 2006, I earned a
6 Graduate Certificate in Power Systems Management from Worcester Polytechnic
7 Institute. In August of 2013, I joined Liberty Energy NH as a Utility Analyst and I was
8 promoted to a Regulatory Lead Utility Analyst in December 2014. Prior to my
9 employment at Liberty Energy NH, I was employed by NSTAR Electric & Gas
10 ("NSTAR") as a Senior Analyst in Energy Supply from 2008 to 2012. Prior to my
11 position in Energy Supply at NSTAR, I was a Senior Financial Analyst within the
12 NSTAR Investment Planning group from 2004 to 2008.

13 **Q. Have you both previously testified in regulatory proceedings before the New**
14 **Hampshire Public Utilities Commission (the "Commission")?**

15 A. Yes, we both have testified on numerous occasions before the Commission.

16 **Q. What is the purpose of your testimony?**

17 A. The purpose of our testimony is to explain the Company's proposed cost of gas rates for

1 its Keene Division for the 2015 Summer (“Off Peak”) Period to be effective beginning
2 May 1, 2015.

3 **II COST OF GAS FACTOR**

4 **Q. What is the proposed 2015 summer firm cost of gas rate?**

5 A. The Company proposes a firm cost of gas rate of \$0.9122 per therm for the Keene
6 Division as shown on 1st Revised Page 19.

7 **Q. Would you please explain 1st Revised Page 19?**

8 A. 1st Revised Page 19 contains the calculation of the Summer 2015 COG rate and
9 summarizes the Company’s forecast of propane sales and propane costs. The total
10 anticipated cost of propane sendout from May 1 2015 through October 31, 2015 is
11 \$339,808. To derive the Total Anticipated Cost of \$314,147, the prior period over-
12 collection of \$24,576 and the interest of \$1,085 are subtracted from the anticipated cost
13 of the propane sendout. The Cost of Gas Rate of \$0.9122 per therm is derived by
14 dividing the Total Anticipated Cost by the projected firm sales volumes of 344,401
15 therms.

16 **Q. What are the components of the adjustments to the cost of propane sendout?**

17 A. The adjustments to gas costs, listed on 1st Revised Page 19, are as follows:

1	1. Prior Period (Over)/Under Collection	\$(24,576)
2	2. Interest	<u>\$(1,085)</u>
3	Total Adjustments	\$(25,661)

4 **Q. How was the cost of spot propane purchases determined on Schedule C?**

5 A. The forecasted spot market prices of propane as shown on Schedule C, Column 1, are the
6 Mont Belvieu propane futures quotations as of March 24, 2015. The forecasted delivered
7 cost of these purchases is determined by adding projected broker fees, pipeline fees,
8 Propane Education & Research Council (PERC) fees, supplier charges, and trucking
9 charges.

10 **Q. How does the proposed average cost of gas rate in this filing compare to the initial**
11 **cost of gas rate approved by the Commission for the 2014 Summer Period?**

12 A. The cost of gas rate proposed in this filing is \$0.7068 per therm lower than the initial rate
13 approved by the Commission for the 2014 Summer Period (\$1.6190 vs. \$0.9122). This
14 decrease is due to: (1) lower propane futures market quotations and lower trucking rates,
15 which are slightly offset by a small pipeline rate increase; and (2) a decrease of \$0.0745
16 per therm due to a prior period over collection of \$24,576 that has been included in the
17 2015 summer cost of gas calculation.

1 **Q. What was the actual weighted average firm sales cost of gas rate for the 2014**
2 **Summer Period?**

3 A. The weighted average cost of gas rate for the 2014 Summer Period was approximately
4 \$1.5402 per therm. This was determined by applying the actual monthly cost of gas rates
5 for May 2014 through October 2014 to the monthly therm usage of an average residential
6 heating customer using 111 therms for the six summer period months (see Schedule I-1
7 or Schedule I-2, for more details).

8 **III PRIOR PERIOD RECONCILIATION**

9 **Q. Has the Company filed its reconciliation of the Summer 2014 Cost of Gas in Docket**
10 **No. DG 14-070?**

11 A. Yes, the Company filed its reconciliation of the Summer 2014 Cost of Gas on December
12 8, 2014.

13 **Q. Does the Company have any corrections to make to that filing?**

14 A. No.

1 **IV CUSTOMER BILL IMPACTS**

2 **Q. What is the estimated impact of the proposed firm sales cost of gas rate on an**
3 **average customer's seasonal bill as compared to the rates in effect last year?**

4 A. The bill impact analysis is presented in Schedules I-1 and I-2 of this filing. The total bill
5 impact for an average residential customer is a decrease of approximately \$74.69, or
6 20.90% as compared to the total bill for the 2014 Off Peak season.

7 **Q. What does the Company plan to do to educate customers about the rate changes?**

8 A. Once the rates are approved, they will be posted on the new company website by May 1,
9 2015. The May bills will include a bill insert reminding customers of the new rates, and
10 directing them to the website for more information.

11 **V PROPANE PURCHASING STABILIZATION PLAN**

12 **Q. What is the Propane Purchasing Stabilization Plan?**

13 A. The Propane Purchasing Stabilization Plan is a strategy the Company undertakes to
14 provide more stability in the winter COG rate and to facilitate the offering of a Fixed
15 Price Option. Under this strategy, the Company systematically purchases supply over a
16 predetermined period. The strategy is intended to provide more price stability rather than
17 to secure lower prices. The Company believes that this strategy should continue.

1 **Q. Has the Company performed any analysis regarding its Propane Purchasing**
2 **Stabilization Plan?**

3 A. Yes. The Company performed two analyses. In Schedule J-1, the Company evaluated the
4 premium associated with securing the pre-purchased volumes for delivery in the winter of
5 2014-The bid premium reflects the results of the Company's competitive RFP process
6 and was the lowest offered. The Company believes that the bid premium per gallon was
7 reasonable given the price spikes that took place in the winter of 2013-2014 and the
8 subsequent implied volatility for the winter 2014-2015. In Schedule J-2, the Company
9 performed a comparison of propane purchase costs under the contract versus
10 representative spot prices had the company not implemented its price stabilization plan.
11 The analysis shows that the cost of the pre-purchased gallons was 50% higher than the
12 average representative spot purchase cost for the first four months of the current winter
13 period reflecting a decline in propane prices brought about by the decline in oil and
14 natural gas prices.

15 **Q. Has the Company issued a Request for Proposal ("RFP") to potential suppliers for**
16 **the 2015-2016 Propane Purchasing Stabilization Plan?**

17 A. Yes. The Company issued an RFP to seven potential bidders on March 30, 2015. The
18 deadline for responses is April 3, 2015. The Plan structure specified in the RFP, as
19 detailed on Schedule J-3, has not changed from the design that was used for the previous

1 winter. The Company will purchase 725,000 gallons to maintain the approximately 65%
2 targeted ratio of hedged volumes to expected sales. The Company will evaluate the merits
3 of the qualifying responses and select a winning bid by April 7.

4 **Q. Does this conclude your testimony?**

5 **A.** Yes, it does.

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