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
Petition for Expansion of Franchise to the Town of Hanover and City of Lebanon, New Hampshire

DIRECT TESTIMONY

OF

FRANCISCO C. DAFONTE

July 24, 2015

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Francisco C. DaFonte. My business address is 15 Buttrick Road, Londonderry, New Hampshire 03053.

Q. By whom are you employed and in what capacity?

A. I am employed by Liberty Utilities Service Corp. as the Vice President, Energy Procurement for Liberty Utilities (EnergyNorth Natural Gas) Corp. ("EnergyNorth" or "the Company").

Q. On whose behalf are you testifying today?

A. I am testifying on behalf of EnergyNorth.

Q. Mr. DaFonte, please state your educational background and professional experience.

A. I attended the University of Massachusetts at Amherst where I majored in Mathematics with a concentration in Computer Science. In the summer of 1985, I was hired by Commonwealth Gas Company (now NSTAR Gas Company) where I was employed primarily as a supervisor in gas dispatch and gas supply planning for nine years. In 1994, I joined Bay State Gas Company (now Columbia Gas of Massachusetts) where I held various positions including Director of Gas Control and Director of Energy Supply Services. At the end of October 2011, I was hired as the Director of Energy Procurement

by Liberty Energy Utilities (New Hampshire) Corp. and promoted to Sr. Director in July 2013 and Vice President in July 2014. In this capacity, I provide gas procurement services to EnergyNorth.

Q. Have you previously testified before this Commission?

A. Yes, I have testified on numerous occasions in various filings, including the Company's most recent Least Cost Integrated Resource Plan filing in Docket No. DG 13-313, its Special Contract and Lease Agreement with Innovative Natural Gas, LLC d/b/a iNATGAS pertaining to construction of a compressed natural gas (CNG) facility in Concord, New Hampshire, its request for approval of Precedent Agreement between EnergyNorth and Tennessee Gas Pipeline Company for capacity on the proposed Northeast Energy Direct Pipeline in Docket No. DG 14-380 and numerous semi-annual cost of gas filings.

Q. What is the purpose of your testimony today?

A. My testimony discusses the Company's experience and capabilities associated with natural gas resource planning, liquefied natural gas (LNG) and propane logistics and, specifically, the benefits associated with the provision of LNG and CNG service to the Town of Hanover and the City of Lebanon, New Hampshire, assuming the Company is awarded franchise rights for those municipalities.

Q. Please provide the experience and capabilities of the Company's Energy Procurement group.

A. The Company's Energy Procurement group is comprised of 14 highly capable and experienced personnel with an average of over 15 years of energy industry experience. The Energy Procurement group is responsible for demand forecasting, scheduling, purchasing, retail choice and overall portfolio planning and logistics, including the solicitation and scheduling of LNG and propane supplies to its three LNG and four propane facilities.

Q. Please describe EnergyNorth's existing LNG and propane facilities and the role they play in meeting customer needs.

A. EnergyNorth has three LNG facilities located in Manchester, Concord and Tilton and three propane facilities located in Nashua, Manchester and Tilton that are connected directly to its distribution system, and a fourth "satellite" propane facility in Amherst that is used solely for storage. These facilities are part of the Company's diversified portfolio of assets, which include various pipeline transportation contracts on seven interstate pipelines and four underground storage facilities in Pennsylvania and New York. The LNG facilities each have a storage capacity of approximately 4,200 Dth and the propane facilities have a storage capacity of approximately 137,000 Dth. Combined, these facilities can provide over 47,000 Dth of peak day supply to supplement EnergyNorth's interstate pipeline capacity.

Q. How are these facilities used?

A. These LNG and propane facilities are used primarily for supplemental supply on the coldest winter days, but in some cases they are used to provide pressure support for EnergyNorth's distribution system. Because the LNG facilities have small storage capacities in comparison to the high gas demand during extended cold periods during the winter, it is necessary to refill them on almost a daily basis. The refilling logistics of the EnergyNorth LNG facilities would be similar to those required for "off pipeline" service territories.

Q. How has the Company managed the trucking and refill requirements of its LNG and propane facilities during the past two colder than normal winters?

A. As mentioned earlier, the limited LNG storage requires almost daily trucking of LNG to replenish the Company's inventory in preparation for the fuel requirements in subsequent days. For example, in each of the past two winter periods, the Company has used over 500,000 dekatherms (Dth) of LNG. Given that its LNG facilities only hold 12,600 Dth, that translates into approximately 40 full turns of its LNG inventory and over 500 truckloads of LNG. In fact, the Company operated its Tilton facility for over 70 consecutive days this past winter for pressure support on the system. It did this with no reliability issues even in the face of several large snowstorms and blizzards where roads were shut down for a period of time.

Q. Would the "off pipeline" distribution systems in Hanover and Lebanon be subject to similar logistical planning?

A. While this type of frequent and recurring trucking is needed for small capacity LNG facilities, the Company would install sufficient and scalable LNG storage tanks so as to require less trucking. This onsite storage would also be used satisfy the Puc 500 rules requirement that the LDC have sufficient storage capacity to satisfy a seven day cold snap. Nevertheless, EnergyNorth's experience in managing trucking logistics positions it to reliably meet the needs of all potential customers in the proposed Hanover and Lebanon "off pipeline" distribution system through a combination of LNG and CNG fuels.

Q. What are the benefits of relying on both LNG and CNG fuels to supply the "off pipeline" distribution systems in Hanover and Lebanon?

A. As stated in Mr. Clark's testimony, fuel diversification in a centralized distribution system means that customers are not reliant on a single fuel source, which can expose customers to the price vagaries inherent in that fuel source from time to time. In addition, having both LNG and CNG supplies allows the Company to better manage trucking logistics to optimize delivery and price. That is, with a secondary fuel supply, the Company can expand its list of suppliers to include those from a greater distance, which in the case of LNG in particular, could be more cost-effective given that some LNG is priced off low cost Marcellus gas supply. Knowing that it can rely on one fuel source

while awaiting truck delivery from the other fuel source provides optionality, which leads to lower cost and enhanced reliability.

Q. How does EnergyNorth currently contract for LNG supplies?

A. The Company conducts a comprehensive RFP process on a semi-annual basis for winter and summer supply and refill. The RFP process is necessary to determine the "best-cost" supply that takes into consideration both price and non-price factors such as reliability, flexibility and viability. The RFP is issued to all potential LNG providers in order to get the best possible pricing. In addition, the Company also issues a trucking RFP to determine the best available service for transporting LNG from LNG suppliers who do not offer a delivered service.

Q. What are the benefits of combining the LNG requirements for EnergyNorth with those for the "off pipeline" distribution system in Hanover and Lebanon?

A. Combining the requirements of both EnergyNorth and the satellite distributions system would lead to greater economies of scale and a streamlined request for proposal (RFP) process. EnergyNorth already has well-established relationships with LNG suppliers. Adding more volume in a combined RFP would provide negotiating leverage and allow for the potential awarding of volumes to multiple LNG providers, which would enhance supplier diversity. In addition, trucking logistics would be enhanced as trucks could be diverted from one LNG facility to another based on need.

Q. Does EnergyNorth have any prior experience demonstrating that economies of scale combined with its RFP process provide customer savings?

A. Yes. After its acquisition of the New Hampshire Gas Company, located in Keene, New Hampshire, Liberty's Energy Procurement group took over the propane procurement process. Using its comprehensive RFP process, relationships with other propane suppliers as well as combining its propane needs with those of the Keene Division, the Company saved approximately $0.45 per Dth or approximately 11% for Keene customers.

Q. Please describe the logistics of providing propane service to the Company's Keene Division and how it compares to the potential provision of LNG and CNG service to Hanover and Lebanon?

A. The Company's Keene Division has similar fuel procurement logistics to what would be encountered if it served the "off pipeline" distribution systems for Hanover and Lebanon. That is, the Keene Division is an "off pipeline" system served only via propane throughout the year. While the Hanover and Lebanon fuel supplies would be more diverse through the use of both LNG and CNG, the systems each require a constant supply of fuel year round that must be managed via trucking and reliable inventory management. With its experience in providing a reliable and least-costs supply service to the Keene Division, the Company is well positioned to provide that same quality of service to future customers in Hanover and Lebanon, assuming the Company is awarded franchise rights for those municipalities.

Q. Does this conclude your testimony?

A. Yes, it does.

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