



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

Docket No. DG 16-XXX

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities
Winter 2016/2017 Cost of Gas

**DIRECT TESTIMONY
OF
FRANCISCO C. DAFONTE**

September 1, 2016

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

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

5 **Q. Mr. DaFonte, please summarize your educational background, and your business and**
6 **professional experience.**

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

16 **Q. Mr. DaFonte, are you a member of any professional organizations?**

17 A. Yes. I am a member of the Northeast Energy & Commerce Association, the American Gas
18 Association, the National Energy Services Association, and the New England Canada
19 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 2016/17 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:

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

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

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

20 Third, the Company holds the following firm transportation contracts to allow for delivery
21 of up to 28,115 MMBtu/day of domestic supply from underground storage fields in the

1 New York/Pennsylvania area or the purchase of flowing supply in or downstream of
2 Tennessee Zones 4 and 5.

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

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

12 **Q. Have there been any changes in the portfolio of firm transportation contracts that the**
13 **Company now holds since the Company submitted its 2015/16 Peak Period Cost Of**
14 **Gas Filing?**

15 A. The portfolio of firm transportation contracts that the Company currently holds has not
16 changed since the Company's 2015/16 Peak Period Cost of Gas Filing.

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

19 A. The firm transportation contracts that interconnect at the Canadian border source firm gas
20 supplies from both Eastern and Western Canada. The Company's domestic long-haul firm
21 transportation contracts source firm gas supplies primarily from the U.S. Gulf Coast during

1 the winter period and also provide access to natural gas supplies in the Marcellus Shale.
2 Supplies purchased at the Dracut, MA receipt point, on the other hand, can originate from
3 any of a number of locations including Canada, the U.S. Gulf Coast, and liquefied natural
4 gas (“LNG”) terminals.

5 **Q. Will there be any changes in the portfolio of supply contracts held by the Company as**
6 **compared to the portfolio of contracts that existed when the Company submitted its**
7 **2015/16 Peak Period Cost Of Gas Filing?**

8 A. Yes. Typically, the Company negotiates a number of different supply contracts for delivery
9 during the peak period. Since its 2015/16 Peak Period filing, the Company has issued four
10 requests for proposals (“RFP”) for supply for the upcoming winter period. The first is for a
11 baseload Tennessee Zone 6 citygate or Dracut supply; the second is for its Canadian firm
12 transportation capacity interconnecting with Iroquois Gas Transmission, Inc. in
13 Waddington, NY, (“ANE”); the third is for its Tennessee long-haul capacity from the Gulf
14 Coast and the Zone 4 market area; and the last is for a Tennessee Zone 6 citygate or Dracut
15 swing supply with a call option.

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

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

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

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

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

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

13 **Q. Could you provide the status of the Company’s storage refill plan?**

14 A. Yes. During the 2016 off-peak period, the Company has been injecting supplies into its
15 underground storage fields. The Company plans to have all storage fields, with the
16 exception of its Tennessee FS-MA storage, 100 percent full by November 1, 2016; the
17 Tennessee FS-MA field is targeted to be 95 percent full by November 1, 2016. The 5
18 percent unfilled portion of FS-MA storage provides a buffer which allows the Company
19 operational flexibility to inject some of its Tennessee long-haul supply into storage if
20 needed due to weather fluctuations during the month of November. By December 1, 2016,
21 it is the Company’s plan to have all of its storage fields 100 percent full.

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

3 A. The Company has two additional sources of gas supply available. First, the Company plans
4 to contract with one or more LNG providers for liquid-only supply that can be used to refill
5 its LNG storage tanks during the peak period. Additionally, the Company will be
6 contracting for dedicated LNG trucking in order to refill its LNG storage inventory. Since
7 the Company's LNG storage capability is limited, having dedicated LNG trucks allows the
8 Company to replenish inventory as it is used, provides supply security for the customers,
9 and enables the Company to adhere to its seven-day storage inventory requirement (Puc
10 506.03).

11 Second, the Company has refilled its propane inventory to 100% including approximately
12 300,000 gallons of storage inventory at its Amherst storage facility. In addition, the
13 Company will contract for firm trucking capacity to ensure that it can move propane
14 supplies at its Amherst facility to its other propane facilities that are capable of vaporizing
15 directly into its distribution system.

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

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

1 design day demand. The Company's LNG facilities are refilled with liquid from the
2 winning supplier(s) in the Company's RFP process.

3 Additionally, the Company owns four propane facilities in Amherst, Manchester, Nashua,
4 and Tilton that have a combined design vaporization rate of approximately 34,600
5 MMBtu/day and a combined workable storage capacity of approximately 134,485 MMBtu.
6 The Company has allocated approximately 27,390 MMBtu of the Amherst capacity to its
7 Keene Division leaving approximately 107,095 MMBtu of combined workable storage
8 capacity for EnergyNorth. The Company's propane facilities were refilled during the
9 summer and they are ready for the 2016/17 peak period. The Company will also have
10 arrangements in place for its propane trucking needs for the upcoming peak period.

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

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

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

1 **Q. Would you please describe the forecasted sendout requirements for the peak period of**
2 **2016/17?**

3 A. Schedule 11A of the Company's filing shows the Company's forecasted sendout
4 requirements for sales customers of 93,587,846 therms over the period November 1, 2016,
5 through April 30, 2017, under normal weather conditions which is up 1.6% percent from
6 last year's forecasted volume of 92,102,397 therms for the period November 1, 2015,
7 through April 30, 2016. In comparison, the normalized actual sendout for firm sales
8 customers for the November 1, 2015, through April 30, 2016, period was 80,658,678
9 therms.

10 Schedule 11B shows the Company's forecasted sendout requirements for sales customers of
11 103,130,911 therms over the period November 1, 2016, through April 30, 2017, under
12 design weather conditions, up 2.2 percent from last year's forecasted value of 100,910,611
13 therms for the period November 1, 2015, through April 30, 2016. For the current peak
14 period forecast, design weather requirements are 10.2 percent greater than normal sendout
15 requirements for weather that is 10.9 percent colder than normal.

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

19 Schedule 11D shows the Company's forecasted design day sendout for sales customers for
20 the upcoming 2016/17 winter of 1,115,143 therms, down 1.7 percent from last year's figure
21 of 1,134,863 therms.

1 The slight decline in design day demand is driven by the continued migration of sales
2 customers to transportation service including those capacity-exempt customers that had
3 previously returned to sales service and have gone back to transportation service as capacity
4 eligible customers.

5 **Q. Would you please describe the forecasted sendout requirements for the off-peak**
6 **period of 2017?**

7 A. Schedule 11A of the Company's filing shows the Company's forecasted sendout
8 requirements of 22,769,073 therms over the period May 1, 2017, through October 31, 2017,
9 under normal weather conditions. This forecast reflects an 11.8% increase in sales volumes
10 when compared to the 2016 forecast. In comparison, for the prior off-peak period, the
11 Company had forecast normal sendout requirements of 20,365,512 therms.

12 Schedule 11B shows the Company's forecasted sendout requirements of 23,673,881 therms
13 over the period May 1, 2017, through October 31, 2017, under design weather conditions.
14 In comparison, the Company had forecast design sendout requirements of 20,998,997
15 therms over the period May 1, 2016, through October 31, 2016, in its 2016 Off-Peak Period
16 filing.

17 The increase in the forecasted normal and design sendout from the 2016 off-peak period to
18 the 2017 off-peak period reflects increased sales due to incremental customer growth and
19 the inclusion of volumes from the iNATGAS compression facility.

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

5 **Q. Mr. DaFonte, please provide the results of the Company's basis hedging program for**
6 **the winter of 2015-2016.**

7 A. For the winter of 2015-2016 the Company hedged the Tennessee Zone 6 basis through the
8 purchase of physical supply for its baseload requirements from Dracut for the months of
9 December, January, and February as provided for in Docket DG 14-133 and approved in
10 Order *Nisi* No. 25,691. As a result of the extremely mild weather, the basis in the New
11 England market area collapsed during the 2015-2016 winter resulting in a net hedging cost
12 of approximately \$8,978,087.

13 **Q. Mr. DaFonte, has the Company hedged the Tennessee Zone 6 basis for the winter**
14 **2016-2017?**

15 A. Yes. The Company conducted an RFP to solicit physical supply basis bids for the months
16 of December, January, and February of 2016-2017.

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

19 A. No.

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

3 A. Yes. The Company expects to complete the construction of the uprate of the Tilton highline
4 before the start of the upcoming winter season.

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

6 A. Yes, it does.