



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

Docket No. DG 16-___

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities - Keene Division
Summer 2016 Cost of Gas Filing

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

March 14, 2016

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. By whom are you employed?**

8 A. We are employed by Liberty Utilities Service Company (“Liberty”) which provides
9 services to Liberty Utilities (EnergyNorth Natural Gas) Corp. (“EnergyNorth or “the
10 Company”).

11 **Q. Please describe your educational background, and your business and professional
12 experience.**

13 A. **Mr. DaFonte**

14 I attended the University of Massachusetts at Amherst where I majored in Mathematics
15 with a concentration in Computer Science. In the summer of 1985 I was hired by
16 Commonwealth Gas Company (now Eversource Energy), where I was employed
17 primarily as a supervisor in gas dispatch and gas supply planning for nine years. In 1994,

1 I joined Bay State Gas Company (now Columbia Gas of Massachusetts) where I held
2 various positions including Director of Gas Control and Director of Energy Supply
3 Services. At the end of October 2011, I was hired as the Director of Energy Procurement
4 by Liberty and promoted to Sr. Director in July 2013 and Vice President in July 2014. In
5 this capacity, I provide gas procurement services to EnergyNorth.

6 **Mr. Simek**

7 I graduated from Ferris State University in 1993 with a Bachelor of Science in Finance. I
8 received a Master's of Science in Finance from Walsh College in 2000. I also received a
9 Master's of Business Administration from Walsh College in 2001. In 2006, I earned a
10 Graduate Certificate in Power Systems Management from Worcester Polytechnic
11 Institute. In August of 2013, I joined Liberty as a Utility Analyst and I was promoted to a
12 Regulatory Lead Utility Analyst in December 2014. Prior to my employment at Liberty,
13 I was employed by NSTAR Electric & Gas ("NSTAR") as a Senior Analyst in Energy
14 Supply from 2008 to 2012. Prior to my position in Energy Supply at NSTAR, I was a
15 Senior Financial Analyst within the NSTAR Investment Planning group from 2004 to
16 2008.

1 **Q. Have you both previously testified in regulatory proceedings before the New**
2 **Hampshire Public Utilities Commission (the “Commission”)?**

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

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

5 A. The purpose of our testimony is to explain the Company’s proposed cost of gas rates for
6 its Keene Division for the 2016 Summer (“Off Peak”) Period to be effective beginning
7 May 1, 2016.

8 **II COST OF GAS FACTOR**

9 **Q. What is the proposed 2016 summer firm cost of gas rate?**

10 A. The Company proposes a firm cost of gas rate of \$0.4019 per therm for the Keene
11 Division as shown on Fourth Revised Page 19.

12 **Q. Would you please explain Fourth Revised Page 19?**

13 A. Fourth Revised Page 19 contains the calculation of the Summer 2016 COG rate and
14 summarizes the Company’s forecast of propane sales and propane costs. The total
15 anticipated cost of propane sendout from May 1, 2016 through October 31, 2016 is
16 \$288,281. To derive the Total Anticipated Cost of \$131,299, the prior period over-
17 collection of \$153,941 and the interest of \$3,041 are subtracted from the anticipated cost

1 of the propane sendout. The Cost of Gas Rate of \$0.4019 per therm is derived by
2 dividing the Total Anticipated Cost by the projected firm sales volumes of 326,680
3 therms.

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

5 A. The adjustments to gas costs, listed on Fourth Revised Page 19, are as follows:

6	1. Prior Period (Over)/Under Collection	\$(153,941)
7	2. Interest	<u>\$(3,041)</u>
8	Total Adjustments	\$(156,982)

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

10 A. The forecasted spot market prices of propane as shown on Schedule C, Column 1, are the
11 Mont Belvieu propane futures quotations as of March 11, 2016. The forecasted delivered
12 cost of these purchases is determined by adding projected broker fees, pipeline fees,
13 Propane Education & Research Council (PERC) fees, supplier charges, and trucking
14 charges.

15 **Q. How does the proposed average cost of gas rate in this filing compare to the initial
16 cost of gas rate approved by the Commission for the 2015 Summer Period?**

17 A. The cost of gas rate proposed in this filing is \$0.5103 per therm lower than the initial rate

1 approved by the Commission for the 2015 Summer Period (\$0.9122 vs. \$0.4019). This
2 decrease is due to: (1) lower propane futures market quotations and lower trucking rates,
3 which are slightly offset by a small pipeline rate increase; and (2) a decrease of \$0.4805
4 per therm due to a prior period over collection of \$153,941 that has been included in the
5 2016 summer cost of gas calculation.

6 **Q. What was the actual weighted average firm sales cost of gas rate for the 2015**
7 **Summer Period?**

8 A. The weighted average cost of gas rate for the 2015 Summer Period was approximately
9 \$0.8155 per therm. This was determined by applying the actual monthly cost of gas rates
10 for May 2015 through October 2015 to the monthly therm usage of an average residential
11 heating customer using 79 therms for the six summer period months (see Schedule I-1 or
12 Schedule I-2, for more details).

13 **III PRIOR PERIOD RECONCILIATION**

14 **Q. Has the Company filed its reconciliation of the Summer 2015 Cost of Gas in Docket**
15 **No. DG 15-117?**

16 A. Yes, the Company filed its reconciliation of the Summer 2015 Cost of Gas on December
17 15, 2015.

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

2 A. No.

3 **IV CUSTOMER BILL IMPACTS**

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

6 A. The bill impact analysis is presented in Schedules I-1 and I-2 of this filing. The total bill
7 impact for an average residential customer is a decrease of approximately \$32.67, or
8 15.6% as compared to the total bill for the 2015 Off Peak season.

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

10 A. Once the rates are approved, they will be posted on the company website by May 1,
11 2016. The May bills will include a bill insert reminding customers of the new rates, and
12 directing them to the website for more information.

13 **V PROPANE PURCHASING STABILIZATION PLAN**

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

15 A. The Propane Purchasing Stabilization Plan is a strategy the Company undertakes to
16 provide more stability in the winter COG rate and to facilitate the offering of a Fixed
17 Price Option. Under this strategy, the Company systematically purchases supply over a

1 predetermined period. The strategy is intended to provide more price stability rather than
2 to secure lower prices. The Company believes that this strategy should continue.

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

5 A. Yes. The Company performed two analyses. In Schedule J-1, the Company evaluated
6 the premium/discount associated with securing the pre-purchased volumes for delivery in
7 the winter of 2015 relative to securing a floating price at Mt Belvieu. The comparison
8 reflects the net premium/discount results of the Company's competitive RFP process. In
9 Schedule J-2, the Company performed a comparison of propane purchase costs under the
10 contract versus representative spot prices had the company not implemented its price
11 stabilization plan. The analysis shows that the cost of the pre-purchased gallons was 91%
12 higher than the average representative spot purchase cost for the first four months of the
13 current winter period, reflecting a decline in propane prices brought about by the
14 historically warm winter and a continued decline in oil and natural gas prices.

15 **Q. Has the Company issued a Request for Proposal ("RFP") to potential suppliers for**
16 **the 2016-2017 Propane Purchasing Stabilization Plan?**

17 A. The Company has not yet issued an RFP for the 2016-2017 Propane Stabilization
18 Program but intends to do so by the end of March. The RFP is expected to be similar to

1 last summer and will be sent to approximately seven potential bidders. The deadline for
2 responses is expected to be prior to the 2nd week of April. The Plan structure specified in
3 the RFP, as detailed on Schedule J-3, has not changed from the design that was used for
4 the previous winter. The Company will purchase 725,000 gallons to maintain the
5 approximately 65% targeted ratio of hedged volumes to expected sales.

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

7 **A.** Yes, it does.

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