

Exhibit No.:
Issue: SourceGas Contract
Witness: Francisco C. DaFonte
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: Liberty Utilities (Midstates
Natural Gas) Corp.
d/b/a Liberty Utilities
Case No.: GR-2014-0152
Date Testimony Prepared: July 30, 2014

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: GR-2014-0152

REBUTTAL TESTIMONY

OF

FRANCISCO C. DaFONTE

ON BEHALF OF

**LIBERTY UTILITIES (MIDSTATES NATURAL GAS) CORP.
D/B/A LIBERTY UTILITIES**

July 30, 2014

**** Denotes Highly Confidential Information ****

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REBUTTAL TESTIMONY

OF

FRANCISCO C. DaFONTE

CASE NO. GR-2014-0152

1 **Q. Please state your name and business address?**

2 A. My name is Francisco “Chico” DaFonte and my work address is 15 Buttrick
3 Road, Londonderry, NH 03053.

4

5 **Q. Have you previously testified before the Missouri Public Service Commission**
6 **(“Commission”) or other regulatory bodies?**

7 A. Yes, I previously testified before the Commission in Case No.GM-2012-0037.
8 Also, I have testified in a number of proceedings before the Federal Energy
9 Regulatory Commission (“FERC”), the Indiana Utility Regulatory Commission,
10 the Maine Public Utilities Commission, the Massachusetts Department of Public
11 Utilities, the Georgia Public Service Commission and the New Hampshire Public
12 Utilities Commission.

13

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

15 A. I am currently employed by Liberty Energy Utilities (New Hampshire) Corp. as
16 Vice President of Energy Procurement for Liberty Utilities’ (“Liberty”) gas and
17 electric utility assets.

18

19 **Q. Please describe your educational background and professional experience.**

1 A. I attended the University of Massachusetts at Amherst where I majored in
2 Mathematics with a concentration in Computer Science. In the summer of 1985 I
3 was hired by Commonwealth Gas Company (now NSTAR Gas Company), where
4 I was employed primarily as a supervisor in gas dispatch and gas supply planning
5 for nine years. In 1994, I joined Bay State Gas Company (now Columbia Gas of
6 Massachusetts - a NiSource Company) where I held various positions including
7 Director of Gas Control and Director of Energy Supply Services for New England
8 and the Midwest. I was responsible for the development, planning and
9 management of resource portfolios for Bay State Gas Company, Northern
10 Utilities, Inc., and Northern Indiana Public Service Company, providing natural
11 gas service to more than 1,000,000 customers. At the end of October 2011, I was
12 hired as the Director of Energy Procurement by Liberty Energy Utilities (New
13 Hampshire) Corp. and promoted to Senior Director of Energy Procurement in
14 June 2013 and subsequently promoted to Vice President of Energy Procurement
15 in June 2014. In summary, I have in excess of twenty-five years of operations,
16 planning, trading, procurement, and portfolio management experience for five
17 local distribution companies in four states. I now have comparable
18 responsibilities for operations in six states.

19
20 **Q. What are your responsibilities as Vice President, Energy Procurement?**

21 A. I am responsible for all gas and electric supply portfolio management functions
22 including procurement, planning, forecasting, scheduling, hedging, and on-system
23 transportation for Liberty's natural gas and electric utility companies in

1 California, Georgia, Missouri, Illinois, Iowa, New Hampshire and Massachusetts.
2 Together these companies provide natural gas and electric service to more than
3 375,000 customers. I am testifying on behalf of Liberty Utilities (Midstates
4 Natural Gas) Corp. d/b/a Liberty Utilities (“Company”).
5

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

7 A. Yes. I am a member of the Southern Gas Association, the Northeast Gas
8 Association, the Northeast Energy & Commerce Association, the American Gas
9 Association, the National Energy Services Association, and the New England-
10 Canada Business Council.
11

12 **Q. What is the purpose of your rebuttal testimony in this docket?**

13 A. The purpose of my testimony is to address assertions and recommendations made
14 in Staff’s Report submitted June 6, 2014, in Case No. GR-2014-0152, specifically
15 as they relate to the Company’s firm transportation contract with SourceGas -
16 Arkansas (“SourceGas”).
17

18 **Q. Please provide a summary of the firm transportation service in question.**

19 A. The Company has on file with the Federal Energy Regulatory Commission
20 (“FERC”) an interstate transportation rate approved by the FERC in Docket No.
21 CP12-42-000 which allows the Company to receive gas in Missouri and transport
22 said gas across its Southeast Missouri (“SEMO”) distribution system to its state
23 line interconnects with SourceGas. This transportation service is an open access

1 service and is available to all similarly situated customers. The approved
2 maximum transportation rate is \$1.3938 per Dth and mirrors the current Large
3 Customer transportation rate for SEMO.

4

5 **Q. Was this service previously provided to SourceGas prior to the sale of the**
6 **Missouri assets from Atmos Energy Corporation (“Atmos”) to the**
7 **Company?**

8 A. Yes. This service was provided to SourceGas (formerly Associated Natural Gas
9 Company or “ANG”) under a similar arrangement that commenced on June 1,
10 2000 and continued until August 1, 2012. The service was provided by Atmos as
11 a result of the sale of the SEMO assets from ANG to Atmos on June 1, 2000.
12 This subject was among the interstate transportation issues I addressed during the
13 “On-the-Record” presentation conducted in the asset acquisition case, Case No.
14 GM-2012-0037, on November 28, 2012:

15 . . . We’ve received a FERC Section 7F approval for the Rich Hill
16 and Hume service territory that allowed us to bring in natural gas
17 from Atmos’s Kansas service territory. So, that’s an interstate
18 transition, transportation issue that we needed to get approval for.
19 Likewise, we also had to file a FERC 284 blanket certificate which
20 allowed us to transport gas over the interstate to source gas (SIC)
21 in Arkansas.

22 And finally, we did put a NEFTI contract, a firm
23 transportation contract, in place with SourceGas Arkansas. (Tr.
24 65-66).

25

26 **Q. What treatment does Staff recommend regarding the SourceGas contract?**

1 A. Staff recommends ** _____
2 _____ **.¹

3

4 **Q. How does the new rate charged by the Company compare to the previous**
5 **rate charged by Atmos?**

6 A. As shown in Highly Confidential **Schedule FCD-R1 HC**, comparing the
7 revenues for the last 3 calendar years since the Company transportation rate has
8 been in place to the revenues under the previous Atmos rate structure, shows that
9 the Company rate is ** _____
10 _____
11 _____ **

12

13 **Q. To your knowledge, were there any incremental facilities required to provide**
14 **the interstate transportation service to SourceGas by either Atmos or**
15 **Company subsequent to each entities' purchase of the Missouri assets?**

16 A. To my knowledge, the retained Missouri facilities were the same facilities that
17 were used by SourceGas while it operated the integrated systems of SEMO and
18 Northeast Arkansas. It is also my understanding that two 50 foot stub lines which
19 cross the Missouri-Arkansas border were retained by SourceGas after the sale of
20 its SEMO assets to Atmos. No additional facilities were added when Company
21 subsequently purchased the Missouri assets from Atmos.

22

¹ Staff Workpaper "Boateng PR_GR-2014-0152_Revenues_Boateng", cell I57

1 Q. On page 56 of Staff's Report, Staff states that Liberty's main ** _____

2 _____

3 _____** Do you agree with this

4 statement?

5 A. I do not. ** _____

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Q. In Company’s FERC application for a limited jurisdiction blanket certificate to provide interstate transportation service pursuant to Section 284.224, were there any interveners?

A. Yes. In addition to SourceGas’ intervention and protest of the maximum tariff rate proposed by Company in Docket No. CP12-42-000, the Arkansas Public Service Commission filed a motion for leave to intervene out of time and submitted comments.

Q. Mr. DaFonte, were there any other negotiations for interstate transportation service ongoing concurrently with the SourceGas negotiations?

A. Yes. Company was negotiating a similar service with Atmos for its Rich Hill and Hume (“RHH”) service territory (“WEMO”). The difference being that the Company was the one seeking the transportation service across Atmos’ Kansas distribution system to serve the RHH customers.

1 Much like SourceGas' Northeast Arkansas service territory, Company's RHH
2 service territory is reliant on transportation across a third party distribution system
3 for its gas supply needs. However, unlike SourceGas, Company's RHH customers
4 are completely reliant on this service 365 days per year and, more importantly, do
5 not have any viable, cost-effective alternatives for supply.

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15 **Q. Mr. DaFonte, do you have other concerns about Staff’s proposed treatment**
16 **of this contract?**

17 A. Yes. I would defer to Mr. Hevert for further discussion but, in short, it is my
18 understanding that if Staff’s recommendation is adopted, it could have significant
19 financial consequences on the Company.

20

1 **Q. Mr. DaFonte, given your testimony, do you believe that the rates charged to**
2 **SourceGas under its firm transportation agreement are just and reasonable?**

3 A. Yes. ** _____
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5 **Q. Does this conclude your testimony?**

6 **A. Yes, this concludes my testimony at this time.**

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of Liberty Utilities)
(Midstates Natural Gas) Corp. d/b/a)
Liberty Utilities' Tariff Revisions Designed)
To Implement a General Rate Increase)
For Natural Gas Service in the Missouri)
Service Areas of the Company.)

Case No. GR-2014-0152

AFFIDAVIT OF FRANCISCO C. DaFONTE

STATE OF NEW HAMPSHIRE)
) ss
COUNTY OF ROCKINGHAM)

Francisco C. DaFonTE, being first duly sworn on his oath, states:

1. My name is Francisco "Chico" DaFonTE. I am employed by Liberty Energy Utilities (New Hampshire) Corp. as Vice President of Energy Procurement. My business address is 15 Buttrick Road, Londonderry, N.H. 03053.

2. Attached hereto and made a part hereof for all purposes is my Rebuttal Testimony on behalf of Liberty Utilities (Midstates Natural Gas) Corp. d/b/a Liberty Utilities, consisting of fifteen (15) pages and Schedule FCD-R1 HC, all of which having been prepared in written form for introduction into evidence in the above-captioned docket.

3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.


Francisco C. DaFonTE

Subscribed and sworn before me this 29th day of July, 2014.


Notary Public

My commission expires: _____

JUDITH A. COULOMBE
Notary Public - New Hampshire
My Commission Expires August 24, 2016