

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

EnergyNorth Natural Gas, Inc.
d/b/a National Grid NH

Winter 2010/2011 Cost of Gas
DG 10-_____

Prefiled Testimony of Theodore Poe, Jr.

September 1, 2010

1 **Q. Mr. Poe, please state your name, address and position with National Grid New**
2 **Hampshire.**

3 A. My name is Theodore Poe, Jr. My business address is 40 Sylvan Road, Waltham,
4 Massachusetts 02451. My title is Lead Analyst.

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

8 A. I graduated from the Massachusetts Institute of Technology in 1978 with a Bachelor of
9 Science Degree in Geology. From 1981 to 1989, I worked as a Research Associate with
10 Jensen Associates, Inc. of Boston where I was responsible for the development of a variety
11 of computer forecasting models of natural gas supply and demand for interstate pipeline and
12 local distribution companies. In 1989, when I joined Boston Gas Company, I was
13 responsible for modeling and forecasting the natural gas resource requirements of its
14 customers. Since 1998, I have assumed the added responsibilities of forecasting the natural
15 gas requirements of various service territories that are now part of National Grid, including
16 EnergyNorth Natural Gas, Inc., which does business under the name National Grid NH.

17

18 **Q. Mr. Poe, are you a member of any professional organizations?**

19 A. I am a member of the Northeast Gas Association, the New England-Canada Business
20 Council and the American Meteorological Society.

21

1 **Q. Mr. Poe, have you previously testified in regulatory proceedings?**

2 A. Yes, I have testified in a number of proceedings before the Commonwealth of
3 Massachusetts Department of Public Utilities and the State of New Hampshire Public
4 Utilities Commission.

5
6 **Q. Mr. Poe, what is the purpose of your testimony in this proceeding?**

7 A. The purpose of this testimony is to summarize the gas supply and transportation portfolio
8 and the forecasted sendout requirements for National Grid NH (the "Company") for the
9 2010/11 peak season. This information is provided in significantly more detail in the
10 schedules that the Company is filing.

11

12 **Q. Mr. Poe, would you describe the transportation contract portfolio that the Company**
13 **now holds?**

14 A. The Company currently holds contracts on Tennessee Gas Pipeline (106,833 MMBtu/day)
15 and Portland Natural Gas Transmission (1,000 MMBtu/day) to provide a daily
16 deliverability of 107,833 MMBtu/day to its city gate stations. Schedule 12, page 1 in the
17 Company's filing is a schematic diagram of these contracts, and Schedule 12, page 2 is a
18 table listing these contracts. These contracts provide delivery of natural gas from three
19 sources.

20

1 First, the Company holds contracts to allow for delivery of up to 8,122 MMBtu/day of
2 Canadian supply. These consist of the following:

- 3
- 4 • The Company can receive up to 4,000 MMBtu/day of firm Canadian supply from
5 Dawn, Ontario. This supply is delivered to the Company on Company-held
6 transportation contracts on Union Gas, TransCanada, Iroquois Gas Transmission
7 System, and Tennessee Gas Pipeline.
 - 8 • The Company can receive up to 3,122 MMBtu/day of firm Canadian supply from the
9 Canadian/New York border at Niagara Falls, NY. This supply is transported on
10 Company-held transportation contracts on Tennessee Gas Pipeline for delivery.
 - 11 • The Company can receive up to 1,000 MMBtu/day of firm Canadian supply from a
12 Company-held transportation contract on Portland Natural Gas Transmission for
13 delivery to its Berlin division.
- 14

15 Second, the Company holds the following contracts to allow for delivery of up to 71,596
16 MMBtu/day of domestic supply from the producing and market areas within the United
17 States.

- 18
- 19 • The Company can receive up to 21,596 MMBtu/day of firm domestic supplies from
20 Texas and Louisiana production areas. These supplies are delivered to the Company on
21 transportation contracts on Tennessee Gas Pipeline.

- 1 • The Company can receive up to 50,000 MMBtu/day of firm supply from Tennessee's
2 Dracut delivery point located in Dracut, Massachusetts. This supply is delivered to the
3 Company on two transportation contracts on Tennessee Gas Pipeline.

4
5 Third, the Company holds the following contracts to allow for delivery of up to 28,115
6 MMBtu/day of domestic supply from underground storage fields in the New
7 York/Pennsylvania area or the purchase of flowing supply in or downstream of Tennessee
8 Zones 4 and 5.

- 9
10 • The Company can receive up to 19,076 MMBtu/day of firm domestic supplies from its
11 Tennessee Gas Pipeline FS-MA storage contract. This contract allows for a storage
12 capacity of 1,560,391 MMBtu. These supplies are delivered to the Company on a
13 transportation contract on Tennessee Gas Pipeline.
- 14 • The Company can receive up to 9,039 MMBtu/day of firm domestic supplies from its
15 storage contracts with National Fuel Gas, Honeoye and Dominion. In aggregate, these
16 contracts allow for a storage capacity of 1,019,740 MMBtu. These supplies are
17 delivered to the Company on a transportation contract on Tennessee Gas Pipeline.

18
19 **Q. Have there been any changes in the portfolio of transportation contracts that the**
20 **Company now holds since the Company submitted its 2009/10 Peak Period Cost Of**
21 **Gas Filing?**

1 A. There is one. Effective November 1st, 2009, the Company began utilization of its additional
2 30,000 MMBtu/day of Tennessee capacity from the Concord Lateral Project from Dracut,
3 MA to the Company's citygates. This contract was discussed in Docket DG 07-101 and
4 approved by the Commission in Order No. 24,825. The contract was in effect during the
5 2009/10 Peak Period, but was not in effect on September 1, 2009 when the Company
6 submitted its Peak Period cost of gas filing with the Commission.

7

8 **Q. Would you describe the source of gas supplies used with these transportation**
9 **contracts?**

10 A. The transportation contracts associated with the Canadian supplies receive firm supplies
11 from both Eastern and Western Canada. The supplies associated with the Company's
12 domestic long-haul transportation contracts are firm supplies that the Company purchases
13 primarily in the U.S. Gulf Coast. Supplies purchased at the Dracut, MA receipt point can
14 originate from any of a number of locations including Canada, the U.S. Gulf Coast, and
15 LNG terminals.

16

17 **Q. Have there been any changes in the portfolio of supply contracts that the Company**
18 **now holds since the Company submitted its 2009/10 Peak Period Cost Of Gas Filing?**

19 A. Yes. Typically, the Company negotiates a number of different supply contracts for delivery
20 during the peak period. Since its 2009/10 Peak Period filing, in June 2010, the Company
21 has finalized one request for proposals ("RFP") for the upcoming winter for supply for its

1 Tennessee long-haul transportation capacity. The Company has entered into a capacity
2 management arrangement with J.P. Morgan Ventures Energy Corporation that will provide
3 supply for the upcoming peak period. J.P. Morgan submitted the best overall bid, based on
4 both price and non-price factors. The contract provides for a six-month supply with both
5 baseload and swing nomination provisions. The price for this supply is index based. The
6 indices correlate to the respective receipt points on the Company's long-haul transportation
7 contract.

8
9 In addition, on 1 April 2007, the Company began receiving gas supplies from BP Canada
10 Energy Marketing Corp. for its Tennessee Niagara capacity. I previously described this
11 contract in my 2007 Off-Peak Period Cost of Gas Testimony. The contract allows for
12 monthly nominating flexibility, with an index-based price. This contract is in place through
13 March 31, 2012.

14
15 The Company is in the process of issuing an RFP for peak-period supply for its
16 transportation capacity from Dawn, Ontario. It is also in the process of issuing an RFP with
17 regard to its short-haul transportation capacity from Dracut, MA. Similar to the 2009/10
18 peak period, the Company intends that this will be a capacity management arrangement that
19 will provide both baseload and swing nomination provisions, with index-based pricing.
20

1 Finally, over the 2010 off-peak period, the Company has been injecting supply into its
2 underground storage fields. The Company plans to have all storage fields, with the
3 exception of its Tennessee FS-MA storage, 100 percent full by 1 November 2010; the
4 Tennessee FS-MA field is targeted to be 95 percent full by 1 November 2010. The
5 percent unfilled portion of FS-MA storage provides a buffer which allows the Company
6 operational flexibility to inject some of its Tennessee long-haul supply into storage if
7 needed due to weather fluctuations during the month of November. By 1 December 2010,
8 it is the Company's plan to have all of its storage fields 100 percent full.

9
10 For its Portland Natural Gas Transmission capacity, the Company continues to contract on a
11 month-to-month basis for supplies, purchased at the Company's primary receipt point
12 designated as Pittsburg, NH, and delivered to its citygate station in Berlin, NH.

13
14 **Q. Would you describe the additional sources of gas supply available to the Company**
15 **that do not require pipeline transportation capacity?**

16 A. The Company has three additional sources of gas supply available to it.

17
18 First, the Company, along with its Massachusetts affiliates Boston Gas Company, Colonial
19 Gas Company and Essex Gas Company each d/b/a National Grid, is currently a party to a
20 contract with Distrigas for up to 1 Bcf of liquid-only supply that can be used to refill any of

1 the National Grid LNG storage tanks in New England, including those serving New
2 Hampshire.

3
4 Second, the Company holds a supply-sharing agreement with Granite Ridge Energy, LLC
5 to provide up to 15,000 MMBtu/day and 450,000 MMBtu per contract year. The pricing
6 terms of this contract were previously disclosed to the Commission, and they will not be
7 discussed here because of their confidential nature. This contract is only available to the
8 Company during the December through February period of each contract year. The
9 agreement requires the parties to negotiate the pricing formula prior to the start of each
10 contract year. The Company is currently in negotiations regarding the price to be paid for
11 this supply for this upcoming winter season. In the event that the parties are unable to reach
12 agreement, the price defaults to an index based formula tied to the price of electricity.

13
14 Finally, when supplies are available and when it is cost-effective, the Company can obtain
15 supplies from other supply vendors. The natural gas market within the Northeast United
16 States has evolved to the point that firm supplies, deliverable to the Company's city gate
17 stations, are available on most days throughout the year.

18

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

20 A. The Company owns three LNG vaporization facilities in Concord, Manchester and Tilton
21 that have a combined operational vaporization rate of 23,712 MMBtu/day and a combined

1 workable storage capacity of 13,057 MMBtu. Additionally, the Company owns four
2 propane facilities in Amherst, Manchester, Nashua and Tilton that have a combined
3 operational vaporization rate of 35,000 MMBtu/day and a combined workable storage
4 capacity of 100,993 MMBtu.

5
6 The Company's LNG facilities are refilled with liquid from Distrigas using the 1 Bcf Firm
7 Liquid Contract to which all of the National Grid New England companies are a party.
8 During the 2010 off-peak period, the Company offsets boiloff losses by periodically
9 trucking LNG liquid to its facilities. This contract expires on October 31st, 2010, and the
10 Company is currently in negotiations with Distrigas for future service. Additionally, the
11 Company is planning for its dedicated LNG trucking requirements for the peak period.

12
13 Following the 2009/10 peak period, the Company's propane facilities were full and they
14 remain ready for the 2010/11 peak period. Additionally, the Company currently has
15 approximately 464,000 gallons of propane stored at the National Grid propane facilities in
16 Massachusetts on behalf of National Grid NH. . The Company has arrangements in place
17 for its propane trucking needs for the upcoming peak period.

18

1 **Q. Mr. Poe, what was the source of the projected sendout requirements and costs used in**
2 **this filing?**

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

5
6 **Q. Would you please describe the forecasted sendout requirements for the peak period of**
7 **2010/11?**

8 A. Schedule 11A of the Company's filing shows the Company's forecasted sendout
9 requirements for sales customers of 85,919,143 therms over the period November 1, 2010
10 through April 30, 2011 under normal weather conditions which is down 0.6 percent from
11 last year's forecasted value of 86,404,722 therms for the period November 1, 2009 through
12 April 30, 2010. In comparison, the normalized actual sendout to sales customers for the
13 November 1, 2009 through April 30, 2010 period was 84,065,663 therms.

14
15 Schedule 11B shows the Company's forecasted sendout requirements for sales customers of
16 94,133,389 therms over the period November 1, 2010 through April 30, 2011 under design
17 weather conditions, down 0.5 percent from last year's forecasted value of 94,562,239
18 therms for the period November 1, 2009 through April 30, 2010. For the current peak
19 period forecast, design weather requirements are 9.6 percent greater than normal sendout
20 requirements for weather that is 8.6 percent colder than normal.

21

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

4
5 Schedule 11D shows the Company's forecasted design day sendout for sales customers for
6 the upcoming 2009/10 winter of 1,168,312 therms, down 4.4 percent from last year's figure
7 of 1,222,692 therms.

8

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

10 A. Yes, it does.

11