VI. SUMMARY OF COMPLIANCE WITH THE TERMS OF THE AUGUST 19, 2005 SETTLEMENT

On August 19, 2005, the Company, the Commission Staff and the Office of the Consumer Advocate entered into a Settlement to resolve outstanding issue in dockets DG 04-133 and DG 04-175 which was approved by the Commission in Order No. 24,531 dated October 12, 2005. The Settlement requires the Company to incorporate certain information into this IRP filing. This section identifies the information to be included and documents the Company's compliance with the Settlement terms.

1. All volumes will be stated in MMBtus;

Throughout the filing, all volume references are stated in MMBtu.

2. For purposes of forecasting average use per customer, the Company will use at least three years' worth of customer usage data;

As documented in Section III Table III-1, the forecast of average use per customer was developed using quarterly data for the twenty- one year period January 1984 through December 2005.

3. The Company will develop an econometric demand forecasting model for use in the IRP in place of the end use forecasting model it currently uses;

The econometric demand forecasting model specified by the Company for this IRP is described in detail in section III B.

4. For purposes of establishing design planning standards, the Company will utilize a Monte Carlo weather forecasting analysis;

The Monte Carlo weather forecasting analysis used by the Company to develop its design planning standards is described in detail in section III E.

5. The IRP will include a detailed contingency plan addressing the Company's plans for ensuring adequate supplies and capacity resources for low probability weather scenarios and a range of possible supply/capacity interruptions. Among other things, the contingency plan shall address the following:

(a) Displacement of gas from the Company's Massachusetts affiliates to New Hampshire to the extent feasible under the combined OBA on the Tennessee Gas Pipeline Company system;

(b) The potential for and related cost if the Company were to increase the level of dedicated trucking to deliver liquid supplies to New Hampshire during periods when vaporized LNG from its Massachusetts affiliates' facilities cannot be

displaced via pipeline from Massachusetts to New Hampshire;

(c) A reasonable range of potential supply or capacity disruptions under design day weather conditions and the Company's response to each specified situation, including a loss of pipeline and LNG or propane supplies;

The Company's contingency plan is set forth in section IV F.

6. The IRP will include a section setting forth the Company's planning practices relating to longer-term portfolio optimization. The section will identify the available and potentially available supply resources and their respective costs. In addition, the section will discuss the opportunities for utilizing these available resources, either as replacements for expiring contracts or meeting load growth, describe the portfolio optimization model, and identify the mix and timing of resource additions and subtractions that are expected to minimize costs over the long-term under a given set of price and demand forecasts. Determination of the optimal portfolio also requires the Company to address the role of its peaking plants in its overall portfolio. Finally, the section will also

identify supply resources that are unlikely to be available to the Company because of its particular circumstances;

The design of the Company's portfolio and the optimization of that portfolio to meet sendout requirements over the forecast period is discussed in Section IV.

7. The IRP will include a section that discusses the extent to which the Company's supply or capacity plans take into account the potential migration of sales service customers to transportation service. In addition, the section will discuss whether and how the Company's plans address the risk that transportation customers migrate to sales service. To the extent that the Company does not plan to serve the gas requirements of all transportation customers, the section will also address how the Company protects customers against a possible reduction in supply reliability resulting from unauthorized gas usage by migrating transportation customers.

A discussion of the Company's historical experience and forecast of transportation migration, including a discussion of planning for "grandfathered transportation load" is contained in section III B (6).

8. The IRP will include a section that describes the Company's strategy for managing the short, medium and long term risks arising from volatility in gas commodity costs, such as the potential for entering into fixed price forward contracts and financial hedges or the economic operation of peaking facilities.

A discussion of the Company's price volatility management and fixed price option programs is contained in Section V.

9. The IRP will include a section discussing the purpose of the Company's curtailment plan and the implications of that plan for supply and/or capacity planning.

The Company filed its New Hampshire Emergency Curtailment plan with the Commission on November 1, 2005. That plan is not designed to address the Company's upstream capacity and supply planning process or the Company's gas supply contingency planning activities. However, as discussed in Section V, in the event that the company is unable to overcome an upstream force majuere event that prevented it from delivering sufficient supply to meet its firm sendout requirements, the Company would look to the curtailment plan for the most orderly and efficient means of curtailing customer load until such time as the emergency event was resolved.