

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

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

**Winter 2011/2012 Cost of Gas  
DG 11-\_\_\_\_\_**

**Prefiled Testimony of Theodore Poe, Jr.**

**September 1, 2011**

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.

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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.

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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 2011/12 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.

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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  
9 the 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.

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- 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  
21 on transportation contracts on Tennessee Gas Pipeline.

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

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

10  
11           ➤ The Company can receive up to 19,076 MMBtu/day of firm domestic supplies from  
12           its Tennessee Gas Pipeline FS-MA storage contract. This contract allows for a  
13           storage capacity of 1,560,391 MMBtu. These supplies are delivered to the  
14           Company on transportation contracts on Tennessee Gas Pipeline.

15           ➤ The Company can receive up to 9,039 MMBtu/day of firm domestic supplies from  
16           its storage contracts with National Fuel Gas, Honeoye and Dominion. In aggregate,  
17           these contracts allow for a storage capacity of 1,019,740 MMBtu. These supplies are  
18           delivered to the Company on a transportation contract on Tennessee Gas Pipeline.

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1 **Q. Have there been any changes in the portfolio of transportation contracts that the**  
2 **Company now holds since the Company submitted its 2010/11 Peak Period Cost Of**  
3 **Gas Filing?**

4 A. The portfolio of transportation contracts that the Company currently holds has not changed  
5 since the Company's 2010/11 Peak Period Cost of Gas Filing. There are, however, changes  
6 from a cost perspective relative to a number of the Company's transportation contracts.

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8 As the Commission is aware, Tennessee Gas Pipeline ('Tennessee') filed a rate case with  
9 the Federal Energy Regulatory Commission ("FERC") on November 30, 2010. The  
10 proposed rates and rate structure would have led to a significant increase in the costs of the  
11 Company's pipeline transportation. On June 1, 2011, Tennessee put into effect temporary  
12 rates pending resolution of the docket. On August 17, 2011 Tennessee, FERC staff, state  
13 regulators, Northeast Customer Group (NCG) and all parties in the case (with the exception  
14 of Equitable Gas Production) reached a settlement in principle in the pipeline rate case. The  
15 settlement reflects reduced costs to National Grid customers, rate stability, and the ability to  
16 access new supplies under existing transportation contracts. Next steps in the process are to  
17 inform the administrative law judge to suspend the procedural schedule, begin the drafting  
18 of the settlement document and to have Tennessee place the lower rates into effect (subject  
19 to refund) prior to the start of the winter period (November 1, 2011).

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1           Additionally, TransCanada Pipeline ('TCPL') is planning to submit a rate application to the  
2           National Energy Board ('NEB') in Canada on September 1, 2011 which will likely include,  
3           among other things; rate design changes, a proposal for an extension of the Alberta system,  
4           and changes to its depreciation rates. In preparation for the NEB hearing associated with  
5           the rate application, the Company, as a member of the Alberta Northeast ('ANE') customer  
6           group, is coordinating with LDCs at the eastern end of TCPL (Enbridge Gas Distribution  
7           Inc., Union Gas Limited, and Gaz Métro) to engage experts in the area of rate calculations  
8           and market assessment and legal services in anticipation of litigating the case.

9  
10           Lastly, Portland Natural Gas Transmission ('PNGTS') also has a rate case pending before  
11           FERC that is nearing conclusion. An initial decision is due from the administrative law  
12           judge no later than December 15, 2011. As part of this rate case, PNGTS was required to  
13           submit to FERC for review, any non-confirming contracts, i.e. those that differ from a pro-  
14           forma service agreement. Following its review, FERC determined that PNGTS's contract  
15           with EnergyNorth contained "impermissible deviations" that required further review. The  
16           agreement contained a provision that allowed EnergyNorth to reduce its maximum daily  
17           quantity by up to 400 Dth/day if PNGTS were to contract for firm transportation to the  
18           Berlin Station with another party, excluding Crown Vintage or its successors. FERC  
19           directed PNGTS to remove the provision or offer it on a nondiscriminatory basis to all  
20           shippers. As a result of the negotiation with PNGTS, the Company received a lump-sum  
21           payment from PNGTS that will be credited to customers in the August 2012 invoice.

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

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

**Q. Have there been any changes in the portfolio of supply contracts that the Company now holds since the Company submitted its 2010/11 Peak Period Cost Of Gas Filing?**

A. Yes. Typically, the Company negotiates a number of different supply contracts for delivery during the peak period. Since its 2010/11 Peak Period filing, in June 2011, the Company finalized one request for proposals ("RFP") for the upcoming winter for supply for its Tennessee long-haul transportation capacity with Conoco-Phillips. In response to the RFP, the Company received four qualifying bids, and selected Conoco-Phillips because its bid was superior to the others based on both price and non-price factors. The contract provides for a six-month supply with both baseload and swing nomination provisions. The price for this supply is index based. The indices correlate to the respective receipt points on the Company's long-haul transportation contract.

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The Company is in the process of issuing an RFP for peak-period supply for its transportation capacity from Dawn, Ontario. It is also in the process of issuing an RFP with regard to its short-haul transportation capacity from Dracut, MA. Similar to the 2010/11 peak period, the Company intends that this will be a capacity management arrangement that will provide both baseload and swing nomination provisions, with index-based pricing.

Finally, over the 2011 off-peak period, the Company has been injecting supply into its underground storage fields. The Company plans to have all storage fields, with the exception of its Tennessee FS-MA storage, 100 percent full by 1 November 2011; the Tennessee FS-MA field is targeted to be 95 percent full by 1 November 2011. The 5 percent unfilled portion of FS-MA storage provides a buffer which allows the Company operational flexibility to inject some of its Tennessee long-haul supply into storage if needed due to weather fluctuations during the month of November. By 1 December 2011, it is the Company's plan to have all of its storage fields 100 percent full.

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

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

1 First, the Company plans to contract with Distrigas for liquid-only supply that can be used  
2 to refill its LNG storage tanks during the peak period. Additionally, the Company is  
3 planning for its dedicated LNG trucking requirements for the peak period. Since the  
4 Company's LNG storage capability is only one-half day's vaporization capacity, having  
5 dedicated LNG trucks to replenish inventory as it is used provides guaranteed access to  
6 additional LNG volumes, provides supply security for the customers, and enables the  
7 Company to adhere to its seven-day storage inventory requirement (Puc 506.03).

8  
9 Second, the Company holds a supply-sharing agreement with Granite Ridge Energy, LLC  
10 to provide up to 15,000 MMBtu/day and 450,000 MMBtu per contract year. This contract  
11 is only available to the Company during the December through February period of each  
12 contract year. The agreement requires the parties to negotiate the pricing formula prior to  
13 the start of each contract year. For the upcoming winter, the pricing formula is the same  
14 index-based price as last year. In the instant filing, the Company forecasts three days of  
15 usage in a design winter based on forecasted pricing. There is no anticipated usage of the  
16 Granite Ridge contract during a normal winter since, with milder temperatures, the  
17 Company's forecast anticipates satisfying customer requirements with its other, less-  
18 expensive supplies.

19  
20 Finally, when supplies are available and when it is cost-effective, the Company can obtain  
21 supplies from other supply vendors that are deliverable at the Company's city gate stations.

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

3 A. The Company owns three LNG vaporization facilities in Concord, Manchester and Tilton  
4 that have a combined operational vaporization rate of 23,712 MMBtu/day and a combined  
5 workable storage capacity of 13,057 MMBtu. The Company's LNG facilities are refilled  
6 with liquid from Distrigas.

7 Additionally, the Company owns four propane facilities in Amherst, Manchester, Nashua  
8 and Tilton that have a combined operational vaporization rate of 35,000 MMBtu/day and a  
9 combined workable storage capacity of 100,993 MMBtu. Following the 2010/11 peak  
10 period, the Company's propane facilities were refilled and they are ready for the 2011/12  
11 peak period. The Company will also have arrangements in place for its propane trucking  
12 needs for the upcoming peak period.

13

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

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

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1 **Q. Would you please describe the forecasted sendout requirements for the peak period of**  
2 **2011/12?**

3 A. Schedule 11A of the Company's filing shows the Company's forecasted sendout  
4 requirements for sales customers of 85,279,059 therms over the period November 1, 2011  
5 through April 30, 2012 under normal weather conditions which is down 0.7 percent from  
6 last year's forecasted value of 85,919,143 therms for the period November 1, 2010 through  
7 April 30, 2011. In comparison, the normalized actual sendout to sales customers for the  
8 November 1, 2010 through April 30, 2011 period was 81,516,441 therms (Reconciliation  
9 Filing, Summary Page 5, 'Total Volume Weather Variance,' Column B).

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11 Schedule 11B shows the Company's forecasted sendout requirements for sales customers of  
12 93,105,329 therms over the period November 1, 2011 through April 30, 2012 under design  
13 weather conditions, down 1.1 percent from last year's forecasted value of 94,133,389  
14 therms for the period November 1, 2010 through April 30, 2011. For the current peak  
15 period forecast, design weather requirements are 9.2 percent greater than normal sendout  
16 requirements for weather that is 8.6 percent colder than normal.

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

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1           Schedule 11D shows the Company's forecasted design day sendout for sales customers for  
2           the upcoming 2009/10 winter of 1,116,671 therms, down 4.4 percent from last year's figure  
3           of 1,168,312 therms.

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

6   **A.    Yes, it does.**

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