STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

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

DG 12-001

PREFILED TESTIMONY
OF
ELIZABETH D. ARANGIO

April 24, 2012

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I. INTRODUCTION AND QUALIFICATIONS

Q. Please state your name and business.

A. My name is Elizabeth D. Arangio. My business address is 40 Sylvan Road, Waltham, Massachusetts 02451.

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

A. I am the Director of Gas Supply Planning for National Grid.

Q. Please summarize your educational background and your professional experience.

A. I graduated from the University of Massachusetts in 1991 with a Bachelor of Business Administration degree. In 1995, I graduated from Bentley College with a Master of Business Administration degree. From 1991 to 1994, I worked as a Gas Accounting Analyst in the Marketing Operations Department at Algonquin Gas Transmission Company. In 1994, I joined Boston Gas Company as a Gas Supply Analyst. In 1997, I was promoted to Group Leader Transportation Services, with responsibility for managing all activities associated with the customer-choice program. In 1998, I was promoted to Director of Gas Acquisition and Transportation Services with responsibility for the administration of the company's gas-resource portfolio and customer-choice program in Massachusetts and, as of 2000, the resource portfolio of EnergyNorth Natural Gas, Inc. ("EnergyNorth" or "Company"). In February 2004, I assumed the additional responsibility of gas supply planning for the former KeySpan Corporation New York and Long Island resource portfolios. Following the acquisition of KeySpan Corporation by National

Grid, plc, I was named to my current position with the added responsibility for the National Grid gas resource portfolios in upstate New York and in Rhode Island.

Q. Are you a member of any professional organizations?

A. I am a member of the Northeast Gas Association and the New England-Canada Business Council.

Q. Have you previously testified in any regulatory proceedings?

A. Yes. I have testified in a number of regulatory proceedings before the New Hampshire Public Utilities Commission, the Massachusetts Department of Public Utilities, and the Rhode Island Public Utilities Commission on a variety of gas supply matters.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony?

A. My testimony has several purposes. First, I will summarize the Company's understanding of the issue it has been directed to address in this proceeding and that provides the basis for this testimony. Second, I will discuss the design of the Company's gas supply resource portfolio. Third, I will explain why it is clear that the Company does not have excess capacity and describe the supply/demand balance of the Company's resource portfolio. Fourth, I will discuss the role of the Company's on-system peaking facilities in meeting the requirements of the Company's customers. Fifth, I will discuss the Commission's seven-day on-system storage requirement set forth in Rule Puc 506.03 of the New Hampshire Code of Administrative Rules and how this requirement factors into planning the

Company's gas supply portfolio. Lastly, I will discuss the Company's peaking agreement with Granite Ridge Energy, LLC ("Granite Ridge"), which expires on September 30, 2012 and cannot be renewed due to the fact that Granite Ridge will no longer be able to guarantee delivery of the required supply.

III. SCOPE OF THIS PROCEEDING

Q. Please summarize the Company's understanding of the issues it has been directed to address in this proceeding.

A. In the Company's most recent Integrated Resource Planning ("IRP") proceeding, DG 10-041, the Commission staff ("Staff") concluded that the amount of gas supply capacity in EnergyNorth's resource portfolio appeared to exceed the Company's forecasted load, and asked the Commission to open a proceeding to determine whether the Company has excess capacity and whether the Company should be required to take actions to reduce any such excess, including retiring certain assets. The Company stated its view that it would not be prudent from a resource planning standpoint to retire any of its gas supply capacity assets, but did not oppose the opening of a new docket to consider the issue.

On February 22, 2012, the Commission issued an Order of Notice opening this investigation (Docket 12-001) of "EnergyNorth's projected supply/demand balance and whether it is prudent for EnergyNorth to plan to retain more gas supply capacity than it needs to meet forecasted design-day peak demands or whether EnergyNorth ought to take actions to reduce the excess." The Order of Notice required that EnergyNorth file testimony regarding the extent of excess capacity,

the prudence of retaining excess capacity or whether actions should be taken to reduce excess capacity, and the role of the Granite Ridge peaking contract in meeting peak day demand.

IV. DESIGN OF THE COMPANY'S GAS SUPPLY RESOURCE PORTFOLIO

Q. What is the Company's objective in designing its gas supply resource portfolio?

A. The Company's objective is to meet its obligation to provide safe and reliable natural gas service to its customers at the least cost possible within the constraints of the terms of the resource contracts it enters into, as well as the regulatory mandates and operating conditions under which it operates.

Q. What resources are included in the Company's portfolio?

A. The Company's daily gas requirements have a load profile that is seasonal in nature due to the significant space heating demand of its customers. The Company's largest daily sendout on a frigid winter day is approximately ten times the typical summertime daily load.

To meet these varying requirements, the Company has designed a resource portfolio that consists of long-haul pipeline transportation contracts from supply basins, short-haul transportation contracts from underground storage fields as well as liquid pooling points where it can purchase flowing gas supplies from a number of sellers, and supplemental resources including both liquefied natural gas ("LNG") and liquefied propane gas ("LPG") facilities.

The Company selects from among these various resources by evaluating the load shape of the demand that it needs to meet and the fixed and variable costs of the resources available. "Shape" refers to the degree of uniformity that a resource need exhibits throughout the course of a year. There are three broad categories of resource needs: baseload, seasonal, and peaking. A need that is substantially uniform throughout the year is described as a baseload need. A need that is driven by temperature fluctuations, and is therefore concentrated in a finite portion of the year (*i.e.*, 60-180 days), is described as a seasonal need. A need that is observed at the very upper limits of the demand profile (*i.e.*, the coldest days of the year) is described as a peaking need. Specific resource needs do not necessarily fall discretely into one of these categories, but rather can exhibit characteristics of any or all of these classifications.

Determining the shape of a need is also important in terms of narrowing the range of possible resource options that may be able to satisfy the need. Baseload needs, for example, tend to be best met through pipeline supplies from supply basins in Texas, Louisiana, and Canada since this allows the Company to spread the high fixed charges of the resource over the greatest number of days, thereby minimizing the unit cost. Conversely, resources that can be stored and dispatched in response to temperature variations (such as underground storage) tend be cost-effective in meeting seasonal demands because they have relatively lower fixed costs and higher variable costs than long haul pipeline resources.

Finally, peaking demands are likely to be best met by on-system LNG or LPG facilities because these resources are under Company control and can be dispatched at a moment's notice, and therefore provide the Company with flexibility to respond to especially high demand, unanticipated intra-day changes in demand, and otherwise to adjust the incremental supply more finely. These peaking resources tend to have lower fixed costs and higher variable costs than the other types of resources.

By resource type, the Company's currently available resources to meet deliverability requirements on the peak day are shown in Table 1 below. However, as discussed in Section VIII, the Granite Ridge peaking supply, which is shown in the table as Off-System Peaking Resource, will no longer be available as of September 30, 2012.

Table 1

	Available Resources (Citygate quantity in Dth)
Pipeline Transportation	79,718
Underground Storage	28,115
Subtotal Pipeline Resources	107,833
Off-System Peaking Resource	15,000
On-System LNG	22,800
On-System Propane	34,600
Subtotal Peaking Resources	72,400
TOTAL ALL RESOURCES	**180,233**

V. THE COMPANY'S RESOURCE PORTFOLIO DOES NOT HAVE EXCESS CAPACITY

Q. Does the Company have excess capacity in its resource portfolio?

A. No. The Company does not have excess capacity in its resource portfolio. Although the simple math of comparing the Company's design day requirements with its projected load may make it appear that there is more capacity than is currently needed to serve its customers, when the realities of resource planning and procurement, the Commission's regulatory requirements, and the contractual and operational constraints under which the Company operates are taken into account, it is clear that the Company does not have an excess. Requiring EnergyNorth to retire or otherwise dispose of any of its capacity assets not only would not be in the public interest, it would damage the Company's ability to maintain reliable service and meet its obligations under the Commission's own regulations and other applicable requirements.

A. Determination of the Quantity of Supplemental Capacity Required

Q. What is the basis for your statement that the Company appears to have excess capacity on a design day?

A. In the IRP proceeding, the Company provided information that compared its available capacity with its peak day requirements. This comparison involves a two-step process. First, the Company forecasts customer requirements for the next five years. Below is a summary of these requirements, which were developed based on the design-day planning standard approved in Docket DG 10-041 and on the most recently completed design-day peak demand forecast adjusted for projected demand-side management programs.

Table 2

	2011Q2 Forecasted Design Day (Dth)
2011/12	137,200
2012/13	137,400
2013/14	138,300
2014/15	139,100
2015/16	142,200

Next, the Company compares the forecasted design day requirements against capacity in the portfolio. In doing so, the Company must address the fact that its pipeline citygate deliverability is 107,833 Dth. For purposes of resource planning, the Company must assume that, on a design day, all of its pipeline resources will be dispatched, and that any difference between the total customer load and the Company's pipeline capacity will be met with the Company's peaking resources. The results of the comparison of available resources, forecasted design day load, and citygate pipeline deliverable capacity are shown in Table 3 below.

Table 3 (all figures in Dth)

	Forecasted Design Day	minus	Pipeline Resources	equals	Supplemental Requirements	Supplemental Resources	Supplementals Used
2011/12	137,200		107,833		29,367	72,400	40%
2012/13	137,400		107,833		29,567	72,400	41%
2013/14	138,300		107,833		30,467	72,400	42%
2014/15	139,100		107,833		31,267	72,400	43%
2015/16	142,200		107,833		34,367	72,400	48%

As Table 3 shows, based on the Company's 2011Q2 forecast, the forecasted design days all exceed the Company's pipeline citygate deliverability of 107,833 Dth., and therefore the Company must plan to dispatch at least 40% of its daily on-system peaking resources to meet the remainder of its customer requirements. The determination that the Company only requires 40 percent of its supplemental

resources, however, assumes that all of the remaining assets will be available (which is not the case, as is discussed below) and does not consider other significant constraints under which the Company operates, such as the manner in which new resources are planned for and procured (*i.e.*, the lumpy nature of bringing on new capacity when needed), the Commission's seven-day storage requirement (which is discussed in Section VII below), and the operational and related constraints associated with the liquid gas supplies needed for the Company's on-system facilities.

B. Temporary Excess Capacity—Reasons It Occurs and How Value is Obtained for Customers

Q. Are there circumstances under which the Company is likely to have excess capacity on a temporary basis?

A. Yes. Like any gas utility, the Company does have excess capacity on a *temporary* basis from time to time. Temporary excess capacity arises from several factors, including but not limited to the Company's planning cycle timing, the weather, and forecasted load variations. In particular, because gas supply capacity cannot normally be obtained in precisely the quantity needed and may not be available in precisely the timeframe needed, investments in capacity assets do not perfectly match the Company's needs at any given point in time, that is, they are lumpy in nature.

Given the long lead time necessary to complete a resource planning cycle (from identification of a resource need to project planning to contract negotiation to project in-service date), the Company needs to begin planning several years in

advance of when a resource is actually needed. Because project in-service dates are typically at least several years out, the size of a facility will be based on the forecasted load at the time the Company makes the commitment. While the Company makes every effort to 'right-size' a project, it is not practically possible to pinpoint the exact amount of capacity needed at any given time, and the amount of capacity that is cost-effective to procure is highly unlikely to exactly match the need that the Company is seeking to fill.

The time horizon for a resource need is also an important element of the resource procurement process because the availability of specific resource alternatives may not perfectly coincide with the initial timing of an identified need. For example, an incremental seasonal need arising four years in the future may be met best by a storage option that will become available in three years if no other storage alternatives are available until the fifth year.

In DG 10-041, the Company explained that the nature of a lumpy investment is such that the Company grows into the investment, and when it eventually maximizes the use of the investment it must, by necessity, make another investment in additional resources to meet customer requirements. It is noteworthy that in other jurisdictions in which the Company operates, it has taken roughly three to five years, and in some cases longer, for new projects to go into service from the time when the need first identified; contract first signed.

The Company must also plan to meet design day and design winter season weather conditions. Statistically, these weather scenarios are specified to occur two standard

deviations from the mean value of occurrence, or once in 43.9 years. Thus, when actual weather varies from the design pattern, the Company will temporarily have excess capacity.

Lastly, load forecasts are developed based on several key inputs, including but not limited to projections of economic and demographic growth or contraction, as well as gas and oil price forecasts. Should one of these factors differ over time from the level that was forecasted when a resource was procured, capacity may exceed the revised load forecast for a period of time. Thus, variations in forecasted load may also be a contributing factor for the existence of temporarily excess capacity. This certainly has happened to the Company in recent years, as the impact of the major recession that affected the economy slowed the previously anticipated growth in load on the Company's system and resulted in a longer than anticipated time period for the Company to grow into the additional capacity from the Concord lateral project that the Commission approved in DG 07-101.

Q. Can the Company match its customers' year-to-year forecasted requirements when acquiring resources?

A. No. As discussed above, it is not practically possible for the Company to fine-tune its resource portfolio to that degree. Given this impracticality, it is imperative that the Company have available resources within the portfolio to meet customer requirements in both the short term as well as the longer term. Even if it were possible, it would not be prudent to retire an asset in the immediate term if it were

likely to be required in the foreseeable future and the availability of a replacement asset is not certain.

Q. What does the Company do to protect customers from unnecessary costs when it temporarily has excess capacity?

A. The Company seeks to optimize its resource portfolio when it temporarily has excess capacity. Optimizing resources means that the Company releases some of its resources to other market participants in exchange for payments to the Company that are, in turn, credited back to customers. These credits result in a reduction to customer bills by lowering the gas costs charged to them. Optimization can entail making additional sales of gas to non-firm customers or releasing unneeded capacity to third-party marketers.

Q. What has been the result of the Company's optimization efforts?

A. From the beginning of the 2006-07 peak period in November 2006 through February 2012 (the most recent month for which data is readily available), the Company has generated $4.3 million dollars in optimization credits for the benefit of its customers. That is, the Company reduced the cost of the gas supply portfolio when it wasn't fully needed to serve customers by $4.3 million during this period.

VI. ON-SYSTEM PEAKING FACILITIES

Q. Please describe the Company's on-system peaking facilities.

A. The on-system peaking facilities are the local production plants that store LNG and LPG and vaporize them and inject them into the Company's distribution system

when needed. They are located strategically across the Company's service territory and provide a supplemental source of supply for the entire distribution system. The Company's on-system supplemental resources are listed below:

Table 4

Location	Facility Type	Maximum Vaporization [Dth/day]	Storage Capacity [Dth]
Concord	LNG	4,800	4,200
Tilton	LNG	9,600	4,200
Manchester	LNG	8,400	4,200
Nashua	Propane	11,000	23,672
Amherst	Propane	0	28,450
Manchester	Propane	21,600	47,317
Tilton	Propane	2,000	4,730

The Amherst facility is storage-related only, and therefore it is shown as having no vaporization capacity.

Q. Please describe the role of these on-system peaking facilities.

A. These on-system peaking facilities play four key roles in the Company's gas supply portfolio:

1. Supply Resource: The on-system facilities are critical assets within EnergyNorth's portfolio because they fulfill supply needs on the coldest days. In addition, maintaining on-system peaking supplies within the portfolio is significant because the facilities enhance supply reliability and diversity should other resources in the portfolio be curtailed.

2. Balancing Resource: The LNG and LPG facilities represent the most flexible supplies in the gas supply portfolio because the Company controls their

operation and production and maintains the ability to use the related supplies whenever needed and for as short or long a period as is needed. The peaking facilities allow the Company to maintain its supply/demand balance as well as meet hourly peaks. For example, even when the weather is not extremely cold, there are periods when the plants operate for a few hours in the morning to meet peak morning loads.

3. Reliability Asset: The peaking facilities are clearly the Company's most important reliability asset because the Company maintains total control over when they are utilized. They also serve as a backup should supplies being delivered from the upstream pipeline be curtailed or interrupted.

4. Distribution System Resource: The Company uses its on-system peaking facilities to support the distribution system by operating them when needed to support system pressures.

Q. What is the Company's forecasted design day need for on-system peaking supplies?

A. The Company's forecasted need for the on-system supplemental supplies was 29,367 Dth for the 2011/12 peak season, as can be seen on Table 3. This is the amount required to meet the Company's design day load, and does not take into account any additional requirements arising under the seven-day storage rule discussed in Section VII. The supplemental volumes from the on-system peaking facilities must be available to the Company's distribution system to ensure service to customers when the Company has exhausted its available pipeline supplies.

Thus, the availability of liquid natural gas and liquid propane to refill the Company's local storage tanks throughout the winter season is also a necessity.

VII. SEVEN-DAY ON-SITE STORAGE RULE

Q. Please explain EnergyNorth's obligations under Puc 506.03, the seven day on-site storage requirement.

A. The Company is required by law to "maintain an on-site storage capability in connection with the operation of its gas distribution system between December 1 and February 14 of each year which will provide peak shaving supplies for an estimated maximum-design cold period of 7 consecutive days." Under the rule, between February 15 and February 28, the minimum on-site storage capacity may then be reduced to 75% of the total requirement and between March 1 and March 31 the minimum on-site storage requirement may then be reduced to 50% of the original total requirement.

Q. Please describe how the Company calculates the capacity required to satisfy the requirement of Puc 506.03.

A. By October 1st of each year, pursuant to Puc 509.16, the Company submits to the NHPUC its Annual Peak Shaving Fuel Storage Capability Report in which the Company presents its forecast of the natural gas requirements of its Sales and Customer Choice customers for a seven-day period of design weather conditions. The design weather scenario used by the Company is the actual observed weather for January 9 – 15, 2004, as shown in Table 5 below.

Table 5

Coldest 7 Day Period – Manchester, NH		
DATE	Heating Degree Days	Manchester, NH Avg. Temp. (oF)
Jan 9, 2004	65.5	-0.5
Jan 10, 2004	61.5	3.5
Jan 11, 2004	45.0	20.0
Jan 12, 2004	38.5	26.5
Jan 13, 2004	50.5	14.5
Jan 14, 2004	66.5	-1.5
Jan 15, 2004	68.5	-3.5
	Total	Mean
	396	8.4

Based on its customer requirements forecast, the Company determines the amount of peak shaving resources required by the rule by subtracting its anticipated pipeline deliveries from this forecasted total requirement, as shown in Table 6.

Table 6

2011/12 EnergyNorth Natural Gas, Inc.		
Regression Coefficients with Growth Factors		
Firm Sales Base Load	78,069.1	MMBtu
Firm Sales Heating Load	681,596.0	MMBtu
Seven Day Sales Calculation	759,665.1	MMBtu
Standby Base Load	0.0	MMBtu
Standby Heat Load	0.0	MMBtu
Seven Day FT Calculation	0.0	MMBtu

It then expresses the equivalent gallons of LNG and LPG it anticipates needing to satisfy this peak shaving resource requirement, as shown in Table 7.

Table 7

2011/12 Seven Day Requirements Calculations			
Total MMBtu Sales Sendout	Available MMBtu Pipeline (*)	Supplemental Requirements	
759,665.1	751,059.9	8,605.2	MMBtu
		91,864	Gal

As noted above, under the seven-day storage requirement, the Company must maintain 100 percent of this peak shaving (or "supplemental") resource in inventory from December 1st through February 15th of the heating season, 75 percent of this peak shaving resource from February 16th until March 1st, and then 50 percent of this peak shaving resource from March 1st through March 31st.

Q. Does the Company have a resource portfolio sufficient to meet the requirements of the seven-day storage requirement?

A. Presently, the Company has a workable LPG storage capability of 819,570 gallons and a workable LNG storage capability of 148,500 gallons, for a total of 968,070 gallons. By "workable", I mean the usable part of the liquid in storage. A portion of the liquid within a storage tank always remains as the "heel" during normal operation and is not operationally available. Additionally, the Company is permitted under the seven-day storage requirement to include a portion of its truckable LNG and LPG capacity as part of the inventory requirement. This is important because the storage requirement has in the past exceeded the Company's on-site storage capability, particularly from 1999/00 until the recent increase in the Company's TGP Dracut pipeline capacity in 2009/10, as can be seen in Table 8.

On a temporary basis, the expansion of this pipeline capacity, in conjunction with the downturn in natural gas demand during the recent recession, has lowered the Company's seven-day storage requirement. This can be seen in Table 8 where the storage requirement dropped from 1,287,055 gallons in 2008/09 to 435,782 gallons in 2009/10 because of the introduction of the additional 30,000 Dth per day of TGP

capacity at Dracut. In 2011/2012, the storage requirement further declined to 91,864 Dth per day because of lower demand.

Table 8

Historical Seven-Day Storage Requirements
(U.S. Gallons)

	Scenario with AES	
	Storage Requirement (Gal)	Pipeline Deliveries Portfolio In Addition To TGP Deliveries from US Gulf Coast, Canada, and Underground Storage
1999/00	1,274,652	CityGate 23
2000/01	1,434,014	CityGate 23
2001/02	1,182,404	CityGate 23
2002/03	1,368,538	CityGate 23
2003/04	1,311,993	AES 0; TGP Dracut 20; CityGate 8
2004/05	989,594	AES 15; TGP Dracut 20; CityGate 8
2005/06	1,188,735	AES 15; TGP Dracut 20; CityGate 8
2006/07	1,300,506	AES 15; TGP Dracut 20; CityGate 8
2007/08	1,495,191	AES 15; TGP Dracut 20; CityGate 8
2008/09	1,287,055	AES 15; TGP Dracut 20; CityGate 13
2009/10	435,782	AES 15; TGP Dracut 50
2010/11	194,723	AES 15; TGP Dracut 50
2011/12	91,864	AES 15; TGP Dracut 50

Proper management of the quantity of supplies for the seven-day storage requirement is important due to cost implications to the Company's customers. When the weather is colder than normal, the Company will tend to use its supplemental facilities more and dispatch what it has in storage. However, when the weather is warmer than normal, the supplemental facilities are used less and the supplemental supplies will sit in storage.

As long as the Company's seven-day storage inventory requirement is small and the Company can maintain the inventory in its own storage tanks while maintaining

safe and cost-effective operation of its distribution system, there are no significant portfolio implications to the requirement—the Company can simply 'bank' the seven-day supply from year to year due to the infrequent occurrence of design weather that would require its use. However, when the seven-day storage requirement volume becomes a sizeable fraction of the Company's total storage capability, as has been the case in the recent past, the Company must contract for liquid supplies for delivery during the winter to refill the on-site tanks as they are depleted, and this tends to add to the cost of maintaining the necessary gas inventory because the contracts typically contain take-or-pay pricing provisions and charges for dedicated trucking.

Q. Are there any other Commission requirements, besides the seven-day storage requirement, that the Company must comply with and for which it relies on its on-system facilities?

A. Yes. The Company is required to comply with a storage rule curve as the result of the Commission's order in DG 04-152. Under the storage rule curve, the Company's underground gas storage must be at specified levels at the end of each month during the peak season. The availability of on-system resources helps the Company to manage its underground storage assets and meet this requirement.

VIII. GRANITE RIDGE PEAKING AGREEMENT

Q. Please summarize the Granite Ridge Peaking Agreement and the role this contract plays in meeting peak day requirements.

A. The Peaking Agreement between the Company and Granite Ridge Energy, LLC, formerly known as the AES Londonderry, LLC, was signed on April 20, 2000, and supplies became available in January 2003. This Peaking Agreement provides for 15,000 MMBtu/day in supplies to be delivered at the citygate for up to 450,000 MMBtus in total during the months of December, January, and February each contract year. As with other traditional peaking supplies, the fixed costs under this Peaking Agreement are very low, while the variable costs are high relative to other variable-priced supplies in the Company's resource portfolio. Thus, if the supply is not called upon because the Company does not experience peak weather conditions, the costs under the Peaking Agreement are limited to the very low fixed cost. The original term of the Peaking Agreement was five years.

At the end of the initial five year term, the Company had the option to renew, and did renew, the Peaking Agreement for another five year period. This second termwill expire on September 30, 2012. Pursuant to Section 2.3 of the Peaking Agreement, the Company was required to provide notice of its intent to either terminate the contract or renew it for a third term by March 31, 2012. The Company notified Granite Ridge on March 14, 2012 of its desire to extend the agreement, but in response Granite Ridge informed the Company that its long term commodity agreement with El Paso would be expiring on May 31, 2012. Because Granite Ridge's ability to supply EnergyNorth with gas under the Peaking Agreement was dependent on Granite Ridge itself having access to the gas, it could no longer guarantee deliveries to EnergyNorth as required. As a result, the Peaking

Agreement will no longer be a component of EnergyNorth's gas supply portfolio as of September 30, 2012.

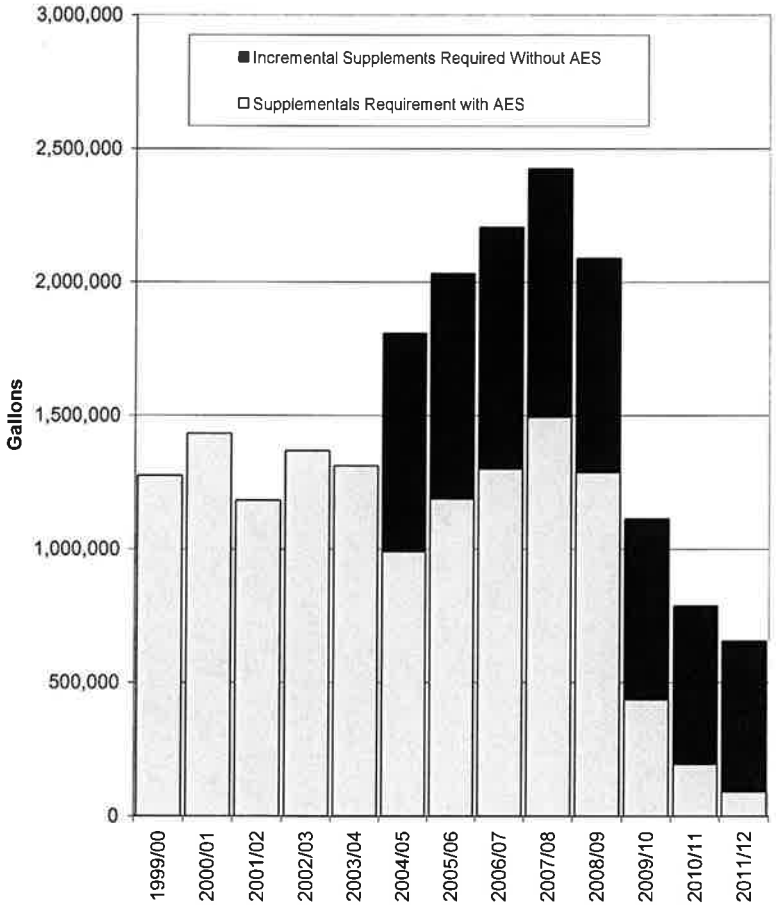
Q. What effect will the loss of the Granite Ridge Peaking Agreement have on EnergyNorth's gas supply portfolio?

A. The Company will no longer have access to up to 15,000 MMBtu/day and 450,000 MMBtus in the aggregate during the months of December, January, and February. While the Company will continue to have adequate peak-day capacity to meet its customers' forecasted design day requirements, the loss of this Peaking Agreement will have other significant effects on the Company's supply obligations, in particular the seven-day storage requirement set forth in Puc 506.03.

Figure 1 below depicts the reduction in the Company's historical seven-day storage requirement that occurred when the Granite Ridge contract was added to the Company's portfolio.

Figure 1

Reduction in Seven-Day Storage Requirement By Adding AES to Portfolio



To provide a sense of the impact that the absence of the Granite Ridge contract will have, the Company's seven-day storage requirement for the 2011/12 heating season would have been 656,406 gallons of LNG and LPG without the contract. This incremental 564,542 gallons (656,406 gallons less the 91,864 gallon storage requirement for 2011/12 set forth in Table 8 above) would have necessitated additional dedicated supply and trucking contracts. Assuming that the Company's upcoming annual forecast continues to indicate minor growth from 2011/12 to 2012/13, similar to the growth shown in Table 2 above, the Company expects that

its 2012/13 seven-day storage requirement will be on the order of 656,000 gallons in the absence of the Granite Ridge contract. In other words, the Company will require all of its on-system facilities as well as a significant volume of additional capacity through dedicated supply and trucking contracts designed to refill the liquid gas inventory at those facilities.

Q. Will the Company seek to replace the Granite Ridge Peaking Agreement?

A. Once the annual load forecast has been developed for the 2012/13 winter season, the Company will determine the need to replace the supply previously provided under the Peaking Agreement.

IX. CONSEQUENCES OF RETIRING THE COMPANY'S ON-SYSTEM FACILITIES

Q. Does the Company believe it would be prudent or otherwise in the public interest to retire its on-system facilities?

A. No. As indicated above, the Company does not believe that retirement of its on-system facilities would be prudent or in the public interest. To the extent that the Company has capacity that is not needed to meet its design day requirements, that capacity is needed to comply with the Commission's regulations and offers the Company significant flexibility in being able to reliably meet its customers' requirements.

Q. Even if the Company had sufficient pipeline capacity to meet all of its requirements, would it be prudent for the Company to retire its on-system facilities?

A. No. Even if the Company's pipeline capacity were sufficient to serve the projected load on its system, retiring the Company's on-system resources would not be prudent and would be contrary to the public interest.

Q. Please explain why retiring the Company's on-system resources would be contrary to the public interest.

A. In addition to the fact that these facilities are currently needed to serve the Company's customers and meet the regulatory requirements under which the Company operates, as the Company explained in DG 10-041, its LNG and LPG supplemental facilities are extremely valuable resources that would be costly and extremely difficult to replace if they are needed again in the future. If the existing facilities were to be retired and then new supplemental supply facilities were required in the future, constructing new on-system facilities would require the Company to undertake the siting and permitting process from scratch. The existing facilities have been in place for decades. In this day and age, the siting and permitting process for storing significant quantities of LPG or LNG and an associated vaporization unit would be highly controversial and would likely take upwards of a half dozen years or so. Frankly, aside from the significant cost associated with such a process, it is possible that the necessary approvals for such a facility might not be obtainable at all.

Q. What would be the consequences of retiring peaking assets as recommended by the Staff in DG 10-041?

A. Retiring these facilities would significantly impair EnergyNorth's ability to maintain reliable service for its customers because these are the only assets that EnergyNorth can fully control to support on-system pressure, meet peak customer requirements, and maintain the supply/demand balance on the system. Furthermore, EnergyNorth would not be able to meet the requirements of the Commission's seven-day on-system storage requirement if these assets were retired without replacing them with other assets.

Q. Does this conclude your testimony?

A. Yes.