

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

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

Summer 2012 Cost of Gas
DG 12-___

Prefiled Testimony of Theodore Poe, Jr.

March 15, 2012

1 **Q. Please state your name, address and position with National Grid NH**

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

4

5 **Q. Please summarize your educational background, and your business and professional**
6 **experience.**

7 A. I graduated from the Massachusetts Institute of Technology in 1978 with a Bachelor of
8 Science Degree in Geology. From 1981 to 1989, I worked as a Research Associate with
9 Jensen Associates, Inc. of Boston where I was responsible for the development of a
10 variety of computer forecasting models of natural gas supply and demand for interstate
11 pipeline and local distribution companies. In 1989, when I joined Boston Gas Company, I
12 was responsible for modeling and forecasting the natural gas resource requirements of its
13 customers. Since 1998, I have assumed the added responsibilities of forecasting the
14 requirements of Essex Gas Company, Colonial Gas Company and EnergyNorth Natural
15 Gas, Inc. d/b/a National Grid NH.

16

17 **Q. Are you a member of any professional organizations?**

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

20

1 **Q. Have you previously testified in regulatory proceedings?**

2 A. Yes, I have testified in a number of proceedings before the New Hampshire Public Utilities
3 Commission and the Commonwealth of Massachusetts Department of Public Utilities.
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5 **Q. What is the purpose of your testimony in this proceeding?**

6 A. The purpose of my testimony is to summarize the gas supply and transportation portfolio
7 and the forecasted sendout requirements for National Grid NH (the "Company") for the
8 2012 off-peak season. This information is provided in significantly more detail in the
9 schedules that the Company is filing.
10

11 **Q. Would you describe the transportation contract portfolio that the Company now
12 holds?**

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

20 First, the Company holds contracts to allow for delivery of up to 8,122 MMBtu/day of
21 Canadian supply. These consist of the following:
22

- 1 • The Company can receive up to 4,000 MMBtu/day of firm Canadian supply from
2 Dawn, Ontario. This supply is delivered to the Company under Company-held
3 transportation contracts on Union Gas, TransCanada Pipeline Ltd. (“TCPL”), Iroquois
4 Gas Transmission System (“Iroquois”), and TGP.
- 5 • The Company can receive up to 3,122 MMBtu/day of firm Canadian supply from the
6 Ontario/New York border. This supply is transported under Company-held
7 transportation contracts on TGP for delivery.
- 8 • The Company can receive up to 1,000 MMBtu/day of firm Canadian supply under a
9 Company-held transportation contract on PNGTS for delivery to its Berlin division.

10

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

- 13
- 14 • The Company can receive up to 21,596 MMBtu/day of firm domestic supplies from
15 Texas and Louisiana production areas. These supplies are delivered to the Company
16 under transportation contracts on TGP.
- 17 • The Company can receive up to 50,000 MMBtu/day of firm supply from TGP’s
18 Dracut meter in Dracut, MA. This supply is delivered to the Company under two
19 transportation contracts on TGP.

1 Third, the Company holds the following contracts to allow for delivery of up to 28,115
2 MMBtu/day of domestic supply from underground storage fields in the New
3 York/Pennsylvania area.

- 4
- 5 • The Company can receive up to 19,076 MMBtu/day of firm domestic supplies
6 from its TGP FS-MA storage contract. This contract allows for a storage capacity
7 of 1,560,391 MMBtu. These supplies are delivered to the Company under a
8 transportation contract on TGP.
- 9 • The Company can receive up to 9,039 MMBtu/day of firm domestic supplies from
10 its storage contracts with National Fuel Gas, Honeoye and Dominion. In
11 aggregate, these contracts allow for a storage capacity of 1,019,740 MMBtu.
12 These supplies are delivered to the Company under a transportation contract on
13 TGP.
- 14

15 **Q. Have there been any changes in the transportation contract portfolio that the**
16 **Company now holds since the Company filed its 2011 Off Peak (Summer) Period**
17 **Cost Of Gas Filing?**

18 A. Yes, the Company entered into an Asset Management and Gas Supply Agreement with
19 BG Energy Merchants, LLC (“BG”) for a term of November 1, 2011 through October 31,
20 2012. This arrangement is discussed in more detail later in my testimony.

21

1 Also, on March 5, 2012, PNGTS filed an amendment filing at the F.E.R.C. in Docket
2 RP11-2449-002, resolving the non-conforming clause issue relating to the Company's
3 transportation contract with PNGTS. The non-conforming clause has been removed.
4

5 With regard to the on-going TCPL rate case, the Company, as part of the ANE Group, is
6 filing testimony in that proceeding on Friday, March 9, 2012. Hearings are set to begin in
7 June 2012 and it is anticipated that they will continue through the summer. Both this issue
8 and the PNGTS issue discussed above were previously addressed in the Company's peak
9 period 2011-12 cost of gas proceeding (DG 11-192).
10

11 **Q. Would you describe the source of gas supplies used with the transportation**
12 **contracts you previously summarized?**

13 A. The transportation contracts associated with the Canadian supplies receive firm supplies
14 from both Eastern and Western Canada. The supplies associated with the Company's
15 domestic transportation contracts are firm supplies that the Company purchases primarily
16 in the U.S. Gulf Coast.
17

18 Due to the mild winter and the fact that underground storage inventory levels are
19 currently above 80 percent full, the Company is planning to refill its underground storage
20 fields during the 2012 off-peak period without the use of an RFP since the value that
21 could be extracted from a third-party performing this service would be minimal. It plans

1 to follow its traditional least-cost supply purchasing practices to provide for any other
2 supply requirements of its customers.

3
4 **Q. Have there been any changes in the supply contract portfolio that the Company now**
5 **holds since the Company submitted its 2011 Off Peak Cost Of Gas Filing?**

6
7 A. Yes. The Company issued a Request for Proposal (“RFP”) in the Fall of 2011 for an
8 Asset Management and Gas Supply Agreement (“AMA”) effective November 1, 2011 for
9 a term of one year for the Canadian portion of its pipeline transportation path from Dawn,
10 Ontario. As mentioned above in my testimony under transportation contract changes, the
11 Company’s transportation contracts on Union Gas and TCPL were released to the
12 winning bidder, BG, from November 2011 through October 2012. BG has use of the
13 Company’s Canadian transportation, and the customers receive the benefit of an
14 optimization fee paid by BG. The AMA provided for a baseload gas supply service
15 delivered to the Company’s receipt point at Waddington, NY on Iroquois for the period
16 November 2011 through March 2012 with index-based pricing. For the April – October
17 2012 period, the Company retains its Iroquois and TGP capacity, allowing it to purchase
18 supply at Waddington if customer demand and pricing permit

19
20 Also, the Company’s supply contract with BP Gas & Power Ltd, which began on April 1,
21 2007 and allowed the Company to purchase of up to 3,122 MMBtu per day at Niagara,
22 will expire on March 31, 2012. Although the supply contract will be expiring, the

1 Company retains its TGP transportation capacity associated with this supply, allowing it to
2 purchase supply at the Niagara receipt point if customer demand and pricing make it
3 desirable to do so.

4

5 **Q. Would you describe any supplemental sources of gas supply available to the**
6 **Company that are used to provide service during the off-peak period?**

7 A. The Company has several additional sources of gas supply available to it during the off-
8 peak period. The Company owns three LNG vaporization facilities in Concord,
9 Manchester and Tilton that have an aggregate vaporization rate of 18,810 MMBtu/day
10 and a combined storage capacity of 13,057 MMBtu. Additionally, the Company owns
11 four propane facilities in Amherst, Manchester, Nashua and Tilton that have an aggregate
12 vaporization rate of 34,600 MMBtu/day and a combined storage capacity of 100,993
13 MMBtu. These supplemental facilities are not normally used to provide supply service
14 during the off-peak period, but they are available for maintaining system integrity.

15

16 **Q. What was the source of the projected sendout requirements and costs used in this**
17 **filing?**

18 A. As in prior cost of gas filings, the Company used projected sendout requirements and
19 costs from its internal budgets and forecasts as a means of projecting the cost of gas for
20 the off-peak period.

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Q. Would you please describe the forecasted sendout requirements for the off-peak period of 2012?

A. Schedule 11A of the Company's filing shows the Company's forecasted sendout requirements of 22,625,922 Therms over the period May 1, 2012 through October 31, 2012 under normal weather conditions. In comparison, for the prior off-peak period, the Company had forecasted normal sendout requirements of 20,606,740 Therms. Based on the Company's preliminary analysis, the actual normalized sendout for May – October 2011 was 19,659,339 Therms, assuming the ratio of sales-to-customer choice customers from its 2011 forecast.

Schedule 11B shows the Company's forecasted sendout requirements 23,444,522 Therms over the period May 1, 2012 through October 31, 2012 under design weather conditions. In comparison, the Company had forecasted design sendout requirements of 21,486,611 Therms over the period May 1, 2011 through October 31, 2011 in its 2011 Off-Peak Period filing.

The growth in the forecasted normal and design sendout requirements from the 2011 off-peak period to the 2012 off-peak period is reflective of the increase in overall load as the region continues to recover from the economic recession.

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

4

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

6 A. Yes, it does.