STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

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

Summer 2011 Cost of Gas
DG 11-___

Prefiled Testimony of Theodore Poe, Jr.

March 15, 2011

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

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

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

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

Q. Are you a member of any professional organizations?

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

Q. Have you previously testified in regulatory proceedings?

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

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to summarize the gas supply and transportation portfolio and the forecasted sendout requirements for National Grid NH (the "Company") for the 2011 off-peak season. This information is provided in significantly more detail in the schedules that the Company is filing.

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

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

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

- The Company can receive up to 4,000 MMBtu/day of firm Canadian supply from Dawn, Ontario. This supply is delivered to the Company on Company-held transportation contracts on Union Gas, TransCanada, Iroquois Gas Transmission System, and Tennessee Gas Pipeline.
- The Company can receive up to 3,122 MMBtu/day of firm Canadian supply from the Canadian/New York border. This supply is transported on Company-held transportation contracts on Tennessee Gas Pipeline for delivery.
- The Company can receive up to 1,000 MMBtu/day of firm Canadian supply from a Company-held transportation contract on Portland Natural Gas Transmission for delivery to its Berlin division.

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

- The Company can receive up to 21,596 MMBtu/day of firm domestic supplies from Texas and Louisiana production areas. These supplies are delivered to the Company on transportation contracts on Tennessee Gas Pipeline.
- The Company can receive up to 50,000 MMBtu/day of firm supply from Tennessee's Dracut meter in Dracut, MA. This supply is delivered to the Company on two transportation contracts on Tennessee Gas Pipeline.

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

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

Q. Have there been any changes in the transportation contract portfolio that the Company now holds since the Company filed its 2010 Off Peak (Summer) Period Cost Of Gas Filing?

A. Yes, the Company entered into an Asset Management and Gas Supply Agreement with Repsol Energy North America Corporation ("Repsol") for a term of November 1, 2010 through October 31, 2011. This arrangement is discussed in more detail later in my testimony.

Additionally, the Company has included the November 30th, 2010 tariff rates as filed by Tennessee Gas Pipeline in their current rate case before the F.E.R.C. While settlement negotiations are still on-going and the final rates are unknown, the Company included these proposed rates as its best estimate for the upcoming off-peak period. Based on these as-filed rates, the impact on the Company's annual cost of gas would be an annual increase to demand charges of $4.97 million to its long-haul Tennessee contracts, $3.18 million to its short-haul contracts, and $0.34 million to its underground storage contract.

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 transportation contracts are firm supplies that the Company purchases primarily in the U.S. Gulf Coast.

The Company has a supply contract with BP Gas & Power Ltd, which began on April 1, 2007, to purchase of up to 3,122 MMBtu per day at Niagara. This is a five-year contract that allows the Company monthly nomination flexibility and market-based pricing.

The Company is considering issuing an RFP for the refill of its underground storage fields; otherwise, it plans to follow its traditional supply purchasing practices to provide for any other supply requirements of its customers.

Q. Have there been any changes in the supply contract portfolio that the Company now holds since the Company submitted its 2010 Off Peak Cost Of Gas Filing?

A. Yes. The Company issued a Request for Proposal ("RFP") on September 2, 2010 for an Asset Management and Gas Supply Agreement effective November 1, 2010 for a term of one year for the entirety of the Company's two Tennessee transportation contracts totaling 50,000 MMBtu per day from Dracut. Based on the Company's analysis, the appropriate mix of baseload and swing volume requirements by month was established, and the RFP contained two packages for bidding for the term of November 1, 2010 to October 31, 2011.

Package 1 was presented as an asset management arrangement and gas supply requirement. In order to match the two Tennessee FT-A Agreements, Package 1 was further subdivided into two agreements—one for an MDQ of 10,000 MMBtu/day with both a baseload and swing component for the months of November 2010 through April 2011 and October 2011, and the other for an MDQ of 35,200 MMBtu/day with a daily swing component for the months of November 2010 through May 2011 and October 2011. The delivery points for both agreements were identified as the National Grid NH citygates. As set forth in the RFP, once the delivery obligations were met, the successful bidder would retain the right to optimize the released assets, while paying a fixed fee to the Company. As a result of the RFP for Package 1, the Company entered into an Asset

Management and Gas Supply Agreement with Repsol Energy North America Corporation ("Repsol") pursuant to the terms of the RFP.

Package 2 was for gas supply only, with an MDQ of up to 4,800 MMBtu/day, and was designed to be used by the Company to meet the full sendout requirements as well as meet the obligations of the Customer Choice Program with regard to migration. As a result of the RFP for Package 2, the Company entered into a supply arrangement with Repsol for the months of December 2010 to March 2011 to provide for a daily swing quantity of up to 4,800 MMBtu/day.

The combination of Packages 1 and 2 provides the Company with an MDQ of up to 50,000 MMBtus.

In addition, for the upcoming 2011 off-peak period, the Company is considering issuing an RFP for capacity management and supply purchase from Dawn, Ontario, subject to the pricing differentials between Dawn and the Company's traditional Gulf Coast supply source.

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

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

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

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

Q. Would you please describe the forecasted sendout requirements for the off-peak period of 2011?

A. Schedule 11A of the Company's filing shows the Company's forecasted sendout requirements of 20,606,740 Therms over the period May 1, 2011 through October 31, 2011 under normal weather conditions. In comparison, for the prior off-peak period, the Company had forecasted normal sendout requirements of 23,000,711 Therms. Based on the Company's preliminary analysis, the actual normalized sendout for May – October 2010 was 24,203,313 Therms, assuming the ratio of sales-to-customer choice from its 2010 forecast.

Schedule 11B shows the Company's forecasted sendout requirements 21,486,611 Therms over the period May 1, 2011 through October 31, 2011 under design weather conditions.. In comparison, the Company had forecasted design sendout requirements of 23,863,958 Therms over the period May 1, 2010 through October 31, 2010 in its 2010 Off-Peak Period filing.

The reduction in the forecasted normal and design sendout requirements from the 2010 off-peak period to the 2011 off-peak period is almost entirely driven by the decreased percentage of Sales volumes from 2010 to 2011.

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

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

A. Yes, it does.