

October 4, 2013

**VIA HAND DELIVERY & ELECTRONIC MAIL**

Luly E. Massaro, Commission Clerk  
Rhode Island Public Utilities Commission  
89 Jefferson Boulevard  
Warwick, RI 02888

**RE: Docket 4436 - 2013 Gas Cost Recovery Filing  
Responses to Division Data Requests – Set 3**

Dear Ms. Massaro:

Enclosed please find ten (10) copies of the National Grid's<sup>1</sup> responses to the Rhode Island Division of Public Utilities and Carriers' (the "Division") Second Set of Data Requests concerning the above-referenced proceeding.

Please be advised that pursuant to Commission Rule 1.2(g), the Company is seeking confidential treatment of Attachment DIV 3-2-2 and Attachment DIV 3-2-3.

Thank you for your attention to this filing. If you have any questions, please contact me at (401) 784-7667.

Very truly yours,



Thomas R. Teehan

Enclosures

cc: Docket 4346 Service List  
Leo Wold, Esq.  
Steve Scialabba  
Bruce Oliver

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<sup>1</sup> The Narragansett Electric Company d/b/a National Grid ("National Grid" or the "Company").

Certificate of Service

I hereby certify that a copy of the cover letter and/or any materials accompanying this certificate were electronically transmitted to the individuals listed below. Copies of this filing were hand delivered to the RI Public Utilities Commission and the RI Division.

\_\_\_\_\_  
Joanne M. Scanlon

October 4, 2013

Date

**Docket No. 4436 – National Grid – 2013 Annual Gas Cost Recovery Filing (“GCR”) - Service List as of 9/9/13**

<b>Name/Address E-mail</b>		<b>Phone</b>
Thomas R. Teehan, Esq. National Grid 280 Melrose St. Providence, RI 02907	<a href="mailto:Thomas.teehan@nationalgrid.com">Thomas.teehan@nationalgrid.com</a>	401-784-7667
	<a href="mailto:Celia.obrien@nationalgrid.com">Celia.obrien@nationalgrid.com</a>	
	<a href="mailto:Joanne.scanlon@nationalgrid.com">Joanne.scanlon@nationalgrid.com</a>	
Ann E. Leary National Grid 40 Sylvan Road Waltham, MA 02541	<a href="mailto:Ann.Leary@nationalgrid.com">Ann.Leary@nationalgrid.com</a>	
Elizabeth D. Arangio National Grid 40 Sylvan Road Waltham, MA 02541	<a href="mailto:Elizabeth.Arangio@nationalgrid.com">Elizabeth.Arangio@nationalgrid.com</a>	
Stephen A. McCauley National Grid 40 Sylvan Road Waltham, MA 02541	<a href="mailto:Stephen.Mccauley@nationalgrid.com">Stephen.Mccauley@nationalgrid.com</a>	
Leo Wold, Esq. Dept. of Attorney General 150 South Main St. Providence RI 02903	<a href="mailto:Lwold@riag.ri.gov">Lwold@riag.ri.gov</a>	401-222-2424
	<a href="mailto:Scialabba@ripuc.state.ri.us">Scialabba@ripuc.state.ri.us</a>	
	<a href="mailto:dmacrae@riag.ri.gov">dmacrae@riag.ri.gov</a>	
	<a href="mailto:Jmunoz@riag.ri.gov">Jmunoz@riag.ri.gov</a>	
Bruce Oliver Revalo Hill Associates 7103 Laketree Drive Fairfax Station, VA 22039	<a href="mailto:Boliver.rha@verizon.net">Boliver.rha@verizon.net</a>	703-569-6480
<b>File an original &amp; nine (9) copies w/:</b> Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick RI 02888	<a href="mailto:Luly.massaro@puc.ri.gov">Luly.massaro@puc.ri.gov</a>	401-780-2107
	<a href="mailto:Patricia.lucarelli@puc.ri.gov">Patricia.lucarelli@puc.ri.gov</a>	
	<a href="mailto:Sharon.ColbyCamara@puc.ri.gov">Sharon.ColbyCamara@puc.ri.gov</a>	

Division 3-1

Request:

Instruction: Each request for workpapers should be understood to include a request for all electronic spreadsheet files with all cell formulas and cell references in tact.

Re: the September 3, 2013, Direct Testimony and Attachments of witness Stephen A McCauley, please provide all workpapers (including electronic spreadsheet files), data, analyses, studies and other documents supporting development of witness Leary's Direct Testimony and Attachments.

Response:

Please see Excel file SAM-2 GPIP.xls for all supporting documents supporting the Gas Procurement Incentive Plan (GPIP). Please see Excel file SAM-3 NGPMP Attachment 1 through Attachment 9 for all supporting documents supporting the Natural Gas Portfolio Management Plan (NGPMP).

Division 3-2

Request:

Re: the September 3, 2013, Direct Testimony of witness Stephen A McCauley at page 5, lines 3 through 4, please provide:

- a. A complete copy of the expired DOMAC FCS contract,
- b. A redlined version of the GPIIP showing all changes made to the plan to reflect the expiring DOMAC FCS contract;
- c. The rationale and all supporting data and analyses for the modifications made to the GPIIP.

Response:

- a. Please see Attachment DIV 3-2-1 for a copy of the expired DOMAC FCS contract.
- b. Please see Attachment SAM-1a included in the Company's September 3, 2013 filing, entitled Redline Purchase Plan 2013, for a redline copy of the plan. Please also see Attachment DIV 3-2-2 for a copy of the section of the gas supply plan submitted in the 2009 GCR filing showing the DOMAC FCS supplies in the winter supply plan. Please see Attachment DIV 3-2-3 for a copy of the section of the gas supply plan submitted for the 2010 GCR filing showing the DOMAC FCS supplies no longer in the supply plan. Both of these documents were used to set the purchasing plan hedge volumes. Pursuant to Commission Rule 1.2(g), the Company is seeking confidential treatment of Attachments DIV 3-2-2 and DIV 3-2-3.
- c. Each year the purchasing plan hedging volumes are determined based on the filed gas supply plan. The DOMAC FCS contract volumes have not been a part of the plan since the 2009-2010 winter season. The revision in Attachment SAM-1a, Redline Purchase Plan 2013, was to remove the reference to the expired DOMAC contract.

Contract ID # 1693

New England Gas Company Contract Number 1693 Legal Department
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Contract No. FCS067

100000204

**SERVICE AGREEMENT**  
**FOR FIRM COMBINATION SALES SERVICE**  
**BETWEEN**  
**DISTRIGAS OF MASSACHUSETTS LLC**  
**AS SELLER**  
**AND**  
**NEW ENGLAND GAS COMPANY, a division of**  
**SOUTHERN UNION COMPANY**  
**AS BUYER**



**SERVICE AGREEMENT FOR  
FIRM COMBINATION SALES SERVICE**

SEPTEMBER 16, 2005 *mk*

This Service Agreement for Firm Combination Sales Service (No. FCS067), dated as of ~~May 7, 2005~~ ("Agreement"), is made and entered into by and between Distrigas of Massachusetts LLC, a Delaware limited liability company with a principal location at One Liberty Square, 10<sup>th</sup> Floor, Boston, Massachusetts 02109 ("Seller"), and New England Gas Company, a division of Southern Union Company, a Rhode Island corporation with a principal location at 100 Weybosset Street, Providence, Rhode Island 02903 ("Buyer").

**WITNESSETH**

**WHEREAS**, Seller owns and operates a Liquefied Natural Gas ("LNG") terminal in Everett, Massachusetts and is engaged in the purchase, terminalling, and sale of LNG in vaporized and liquid form; and

**WHEREAS**, Buyer desires to purchase LNG services from Seller; and

**WHEREAS**, Seller has made or will make transportation arrangements as needed with third-party transporters ("Transporting Pipelines") for the transportation of vaporized LNG.

**NOW, THEREFORE**, in consideration of the covenants and agreements herein contained, together with other good and valuable consideration, the receipt and sufficiency of which are hereby mutually acknowledged, Seller and Buyer do mutually covenant and agree as follows:

**ARTICLE I  
QUANTITY**

- 1.1 For each Contract Year during the term of this Agreement, Seller agrees to sell and Buyer agrees to purchase, subject to the terms and delivery conditions hereinafter set forth, up to 10,000 MMBtu of LNG in liquid or vapor form on a daily basis ("Maximum Daily Quantity" or "MDQ"), with a total quantity ("Annual Contract Quantity" or "ACQ") not to exceed (i) 1,510,000 MMBtu in each of the first, second, fourth, and fifth Contract Years, and (ii) 1,520,000 MMBtu in the third Contract Year, plus any additional quantities required to fill a final truck to capacity.
- 1.2 Notwithstanding anything to the contrary in Section 1.1 above, Seller and Buyer hereby mutually agree that deliveries of LNG in liquid form set forth herein shall not exceed a total quantity of 360,000 MMBtu during each Contract Year during the term of this Agreement.

- 1.3 As used in this Agreement, the term "Contract Year" shall mean each period during the term of this Agreement commencing on November 1<sup>st</sup> of one calendar year and running through and including October 31<sup>st</sup> of the following calendar year.
- 1.4 When requested by Buyer, Seller in its sole discretion and judgment will attempt to provide quantities of LNG in excess of the amount of firm service described in Section 1.1 on an interruptible basis.
- 1.5 Buyer shall provide to Seller by November 1, 2005, to be updated the first of each month thereafter, a schedule showing the estimated quantities of LNG in liquid or vapor form to be taken each month during the term of this Agreement. Amounts of LNG in liquid or vapor form shall be stated on the basis of MMBtu per month. The schedule to be provided under this Section 1.4 shall not be binding on Buyer but rather shall serve as a guide to aid Seller in planning deliveries of LNG.

## **ARTICLE II POINT(S) OF DELIVERY**

- 2.1 The Point(s) of Delivery hereunder shall be at the points described on Exhibit "A" attached hereto and incorporated herein.

## **ARTICLE III QUALITY**

- 3.1 The quality of the gas delivered in liquid form hereunder shall be in accordance with the specifications contained in the General Terms and Conditions of Seller's Federal Energy Regulatory Commission ("FERC") Gas Tariff, First Revised Volume No. 1, as revised from time to time ("Seller's FERC Gas Tariff"). For vapor deliveries, the quality specifications shall be as contained in the FERC Gas Tariff(s) of the Transporting Pipeline(s) making deliveries of gas to the Point(s) of Delivery.

## **ARTICLE IV DISPATCHING AND DELIVERY**

- 4.1 Liquid Delivery Conditions. Subject to receipt of forty-eight (48) hours' notice from Buyer, Seller shall deliver under the following conditions:
  - 4.1.1 Trucks or trailers arriving at Seller's Terminal to receive LNG shall comply with the following conditions:
    - (a) Minimum capacity of 6,000 gallons.

- (b) Maximum pressure at time of loading of 15 psig.
- (c) Precooled to at least -240 degrees Fahrenheit.
- (d) Previous cargo shall have been LNG, or documentation shall be provided certifying that inert purge followed by precooling with LNG has been carried out.
- (e) Safe operating conditions, including the requirements of all applicable federal, state and local laws and regulations.

Seller has the right to refuse to load any trucks or trailers not meeting all of the above conditions. At Seller's sole option, Seller may make available to Buyer additional LNG for use in cool down, which LNG will be sold to Buyer at the price provided in Article V.

- 4.1.2 Seller shall use its best efforts to deliver LNG on less than forty-eight (48) hours' notice upon request of Buyer.
- 4.2 Vapor Delivery Conditions. Buyer and Seller recognize that transportation of LNG in vapor form from Seller's facilities to Buyer's facilities will require the services of one or more Transporting Pipeline(s). Seller and Buyer agree that for any day on which Buyer desires to purchase LNG in vapor form, Buyer shall nominate to Seller's designated representative such quantities of LNG in vapor form as Buyer desires to purchase hereunder at least four (4) hours prior to the nomination deadline(s) established by the Transporting Pipeline(s). Buyer agrees to reimburse Seller for all costs associated with any imbalance penalties incurred by Seller as a result of Buyer's failure to take such nominated quantities of LNG in vapor form when tendered by the Transporting Pipeline(s).
- 4.3 Seller will make arrangements with the Transporting Pipeline(s) to effectuate delivery at the Point(s) of Delivery hereunder.
- 4.4 If Buyer fails to nominate pursuant to the procedures of Section 4.2 above, Buyer waives its rights to firm vapor service for that day. However, to the extent practicable, Seller will use its best efforts to accommodate any request for service by Buyer not timely made in accordance with Section 4.2.

## ARTICLE V PRICE

- 5.1 For each Contract Year during the term of this Agreement, Buyer shall make a non-refundable call payment to Seller as set forth below:

- (i) For each of the first, second, fourth, and fifth Contract Years, Buyer shall make a non-refundable call payment to Seller in the amount of Three Million Six Hundred Twenty Four Thousand 00/100 U.S. Dollars (\$3,624,000.00), for firm combination service for the quantity of LNG set forth in Article I hereunder. The call payment due and payable for each of the first, second, fourth, and fifth Contract Years shall be billed to Buyer in twelve (12) equal, consecutive monthly installments of Three Hundred Two Thousand and 00/100 U.S. Dollars (\$302,000.00) each, for service commencing in November and continuing through and including the following October of each such Contract Year.
- (ii) For the third Contract Year, Buyer shall make a non-refundable call payment to Seller in the amount of Three Million Six Hundred Forty Eight Thousand and 00/100 U.S. Dollars (\$3,648,000.00), for firm combination service for the quantity of LNG set forth in Article I hereunder. The call payment due and payable for the third Contract Year shall be billed to Buyer in twelve (12) equal, consecutive monthly installments of Three Hundred Four Thousand and 00/100 U.S. Dollars (\$304,000.00) each, for service commencing in November and continuing through and including the following October of such Contract Year.

(Each such call payment is hereinafter referred to as "Call Payment").

As to the sales hereunder for resale in interstate commerce, the Call Payment negotiated between Buyer and Seller will not exceed the Call Payment Cap prescribed in Section 3.1 of Seller's Rate Schedules FVSS and FLSS. To the extent that a monthly Call Payment exceeds the applicable Call Payment Cap, Seller will refund such excess with interest, if any, calculated pursuant to Section 154.67(c)(2)(iii) of the FERC's Regulations, 18 C.F.R. § 154.67(c)(2)(iii). The Call Payment Cap under this Section 5.1 applies to the price of LNG calculated at the tailgate of Seller's Everett, Massachusetts, marine LNG terminal and does not include any reservation or other charges for transportation incurred by Seller in making deliveries for or on behalf of Buyer under this Agreement.

- 5.2 For each MMBtu of LNG delivered in liquid or vapor form to Buyer, Buyer will pay to Seller a commodity rate per MMBtu equal to the following:
- (i) Buyer will pay to Seller a commodity rate per MMBtu equal to the New York Mercantile Exchange ("NYMEX") natural gas futures contract settlement price for the last day of trading for the month in which the gas is purchased, as posted in the Wall Street Journal.
  - (ii) Notwithstanding anything to the contrary in Section 5.2(i) above, for any specified month or combination of months, Buyer may, at any time during the term of this Agreement prior to the last day of trading of the NYMEX natural gas futures contract(s) for such month or combination of months, elect to stipulate the then existing NYMEX natural gas futures contract price(s) for the corresponding month

or combination of months, for all or a designated portion of its monthly total quantity. If Buyer makes such election, Buyer will pay to Seller a commodity rate per MMBtu equal to the NYMEX natural gas futures contract price(s) so stipulated by Buyer for such month or combination of months multiplied by all or a portion of its monthly total quantity (as previously designated by Buyer). Buyer shall promptly notify Seller in writing of its request to lock in the NYMEX natural gas futures contract price(s) for any such month(s) at the time of Buyer's election, and Seller shall use reasonable efforts to accommodate Buyer's request(s).

- (iii) In the event that Buyer elects to lock in the commodity rate per MMBtu pursuant to the provisions set forth in Section 5.2(ii) and fails to purchase the MDQ set forth in Section 1.1 in its entirety for any day during the period covered by Buyer's election (and such failure is not a result of force majeure under Section 11.1 hereunder), for each MMBtu of gas not purchased by Buyer on any such day, Buyer will pay to Seller a rate per MMBtu equal to the difference (if positive) between (i) the applicable commodity rate, and (ii) a published index price posted for deliveries of gas made in New England which shall be mutually agreed upon between Seller and Buyer at the time of Buyer's request to lock in the commodity rate, for the day(s) on which the gas is (not) purchased (the "Daily Rate").

(Each such commodity rate as set forth above is hereinafter referred to as the "Commodity Rate").

As to sales for resale in interstate commerce, the Commodity Rate over the term of this Agreement will not exceed the average over such term of the Firm Commodity Cap prescribed in Section 3.2 of Seller's Rate Schedules FVSS or FLSS. The Commodity Cap under this Section 5.2 applies to the price of LNG calculated at the tailgate of Seller's Everett, Massachusetts, marine LNG terminal and does not include any transportation or other charges incurred by Seller in making deliveries for or on behalf of Buyer under this Agreement. For purposes of determining the Firm Commodity Cap under this Section 5.2, the Gas Price Index utilized shall be the Monthly Gas Price Index.

- 5.3 The rates set forth in Section 5.2 shall include the applicable GRI Surcharge established by the FERC and in effect from time to time.
- 5.4 Excess volumes sold hereunder shall be sold at a price to be negotiated between Buyer and Seller, but shall not exceed the Interruptible Commodity Cap prescribed in Section 3.1 of Seller's Rate Schedule ISS.

## ARTICLE VI METERING AND MEASUREMENT

- 6.1 The metering and measurement of the LNG delivered hereunder in liquid form shall be in accordance with the specifications contained in the General Terms and Conditions of

Seller's FERC Gas Tariff. The metering and measurement of the LNG delivered hereunder in vapor form shall be in accordance with the specifications of the FERC Gas Tariff(s) of the Transporting Pipeline(s) making deliveries at the Point(s) of Delivery hereunder.

**ARTICLE VII  
GOVERNMENTAL REGULATIONS**

- 7.1 This Agreement is subject to all valid laws, orders, rules and regulations of duly constituted authorities having jurisdiction.

**ARTICLE VIII  
GENERAL TERMS AND CONDITIONS**

- 8.1 The General Terms and Conditions of Seller's FERC Gas Tariff are incorporated herein for all purposes.

**ARTICLE IX  
TERM**

- 9.1 Subject to any requisite governmental authorizations, this Agreement shall take effect on November 1, 2005, and shall remain in effect through and including October 31, 2010.
- 9.2 Buyer and Seller mutually agree and covenant to one another that upon termination or expiration under this Article IX, this Agreement and the service herein provided shall be deemed abandoned for all purposes under the Natural Gas Act.

**ARTICLE X  
FILING FEES**

- 10.1 Seller shall charge Buyer an amount to recoup any filing or similar fees which Seller incurs in rendering service hereunder.

**ARTICLE XI  
FORCE MAJEURE AND REMEDIES**

- 11.1 Force majeure and remedies under this Agreement shall be governed by Section 8 of the General Terms and Conditions of Seller's FERC Gas Tariff.

- 11.2 If Seller, due to force majeure, is unable to deliver on one or more days the quantity of natural gas requested by Buyer, and as to which Buyer has made a Call Payment, then for each such day of the period of such force majeure Seller shall refund to Buyer a pro rata amount of the Call Payment determined by multiplying the percentage of Buyer's MDQ not delivered on each such day times the prorated daily value of the Call Payment.

**ARTICLE XII  
BILLING AND PAYMENT**

- 12.1 Billing and payment under this Agreement shall be governed by Section 6 of the General Terms and Conditions of Seller's FERC Gas Tariff.

**ARTICLE XIII  
CURTAILMENT**

- 13.1 Curtailment of service under this Agreement will be governed by the curtailment plan set out at Section 15 of the General Terms and Conditions of Seller's FERC Gas Tariff.

**ARTICLE XIV  
NOTICES**

- 14.1 Except as otherwise provided, all notices, requests, demands, statements, or bills provided for in this Agreement, or any notice which either party desires to give to the other, shall be in writing and shall be delivered (i) in person, (ii) by United States Mail, (iii) by a nationally recognized delivery service, or (iv) via facsimile, and shall be considered duly delivered upon receipt at the addresses below or at such other addresses as may be hereafter furnished by one party to the other in writing:

**Seller:**  
**(Payments)**

**If by Check:**  
Distrigas of Massachusetts LLC  
One Liberty Square, 10<sup>th</sup> Floor  
Boston, MA 02109  
Attn: Finance Department  
Telephone: 617.526.8300  
Facsimile: 617.526.8349

**If by Wire Transfer:**  
Bank: JP Morgan Chase Bank  
Houston, TX 77002  
ACT: 00113321203  
ABA: 113000609  
REF: Distrigas of Massachusetts LLC

**Seller**  
**(Notices)**                      Distrigas of Massachusetts LLC  
One Liberty Square, 10<sup>th</sup> Floor  
Boston, MA 02109  
Attn.: Contract Administration  
Telephone No.: 617.526.8300  
Facsimile No.: 617.526.8356

**Buyer**  
**(Invoices)**                      New England Gas Company, a division of  
Southern Union Company  
1595 Mendon Road  
Cumberland, RI 02864  
Attn: Accounts Payable  
Telephone No.: 401.272.5040  
Facsimile No.: 401.273.2442

**Buyer**  
**(Notices)**                      New England Gas Company, a division of  
Southern Union Company  
1595 Mendon Road  
Cumberland, RI 02864  
Attn: Contract Administration  
Telephone No.: 401.272.5040  
Facsimile No.: 401.421.6760

**ARTICLE XV  
ASSIGNMENT**

- 15.1 This Agreement shall be freely assignable to any affiliate of a party hereto or to any financing entity and may be assigned to any other unrelated third party upon prior written consent of the other party hereto, such consent not to be unreasonably withheld. For purposes of this Article XV, an affiliate shall mean any entity which controls, is controlled by, or is under common control with a party.
- 15.2 This Agreement and all rights and obligations hereunder shall be binding upon and inure to the benefit of the respective parties and their respective assigns and successors in interest.

**ARTICLE XVI  
CONFIDENTIALITY**

- 16.1 Each party agrees that it will maintain this Agreement, and all parts and content hereof, including, but not limited to, the price paid for gas, in strict confidence, and that it will not cause or permit disclosure of same to any unaffiliated third party (other than its attorneys, accountants, and auditors) without the express written consent of the other

party, except as provided below. Such disclosure is permitted in the event and only to the extent that the disclosing party is required by a court or agency exercising jurisdiction over the subject matter hereof, to so disclose. In any such event, the party so disclosing shall make every reasonable effort to ensure compliance with this provision by the court, agency, person or entity to which the information is disclosed.

IN WITNESS WHEREOF, the parties have executed this Agreement in several counterparts by their respective duly authorized officers as of the day and year first above written.

**SELLER:**

**DISTRIGAS OF MASSACHUSETTS LLC**

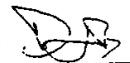
By:   
Name: **Robert A. Wilson**  
Title: **Senior Vice President**

**BUYER:**

**NEW ENGLAND GAS COMPANY, a  
division of SOUTHERN UNION  
COMPANY**

By:  (21)  
Name: **Thomas Karam**  
Title: **President & COO**

LEGAL  
APPROVED  
AS TO  
FORM



9/16/05

New England Gas Company  
Contract Number  
1719  
Lead Department

**EXHIBIT A  
POINT(S) OF DELIVERY**

Service Agreement for Firm Combination Sales Service (No. FCS067) dated as of May 7, 2005 ("Agreement"), between Distrigas of Massachusetts LLC ("Seller") and New England Gas Company, a division of Southern Union Company ("Buyer").

**Points of Delivery:**

**Liquid:**

For firm (and interruptible, if any) liquid service, at the truck loading flange of Seller's marine LNG terminal located in Everett, Massachusetts.

**Vapor:**

For firm (and interruptible, if any) vapor service, at the point(s) of interconnection between Buyer's facilities and Tennessee Gas Pipeline Company's system on a secondary basis and as mutually agreed upon between Seller and Buyer.



Distrigas

Distrigas of Massachusetts LLC  
One Liberty Square 10th Floor Boston, MA 02109 ph: 617.526.8300 fx: 617.526.8344 www.tracitebel.com

May 7, 2005 SEPTEMBER 16, 2005

New England Gas Company, a division of  
Southern Union Company  
100 Weybosset Street  
Providence, RI 02903  
Attn: Mr. Gary Beland

**Re: Deliveries of natural gas by Mystic River Energy LLC in lieu of deliveries under that certain Service Agreement for Firm Combination Sales Service (No. FCS067) between Distrigas of Massachusetts LLC as Seller and New England Gas Company, a division of Southern Union Company, as Buyer.**

Dear Sir or Madam:

Reference is herein made to that certain Service Agreement for Firm Combination Sales Service (No. FCS067) dated as of May 7, 2005 ("Service Agreement"), between Distrigas of Massachusetts LLC as Seller ("DOMAC") and New England Gas Company, a division of Southern Union Company, as Buyer ("Buyer"). DOMAC hereby requests Buyer's consent, for the term of the Service Agreement, to cause DOMAC's affiliate, Mystic River Energy LLC ("Mystic"), to deliver natural gas to Buyer in lieu of vaporized liquefied natural gas ("LNG") to be supplied by DOMAC under the Service Agreement. By signing this letter, Buyer agrees that to the extent that Mystic actually delivers natural gas to Buyer on any day, up to the amount required to be delivered under the Service Agreement, DOMAC shall be correspondingly excused from its obligation, if any, for that day to deliver vaporized LNG under the Service Agreement. Nothing contained herein shall relieve DOMAC of its ultimate obligation, if any, for the delivery of natural gas to Buyer under the Service Agreement in the event of a failure to deliver by Mystic.

Please acknowledge your consent to the aforementioned terms and conditions by signing this letter in two (2) original counterparts, and return one (1) copy to: Distrigas of Massachusetts LLC, One Liberty Square, 10<sup>th</sup> Floor, Boston, MA 02109, Attn: Contract Administration.

Very truly yours,

Distrigas of Massachusetts LLC

Robert A. Wilson  
Senior Vice President

Agreed and accepted as of the date hereabove written.

BUYER:

New England Gas Company, a division of  
Southern Union Company

By: [Signature] [Signature]

Its: President & COO

LEGAL APPROVED AS TO FORM

9/16/05

New England Gas Company  
Contract Number  
1719  
Legal Department

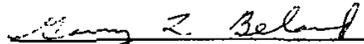
Deal Approval Sheet - Distrigas Firm Combination Service Contract

Overview - The contract calls for firm delivery of gas supply service from Distrigas of Massachusetts (DOMAC) to the Lincoln, RI gate station or the contractual right of the company to receive LNG as liquid from DOMAC's Everett Terminal. The contract provides for 10,000 dekatherms per day of delivered supply for 151 days per year, November 1st to March 31st, for a 5-year period. Quantities not taken during the winter period may be taken during the following April to October period. The commodity price will be based on the NYMEX settlement for the month of delivery unless previously locked in price by NEG. The contract calls for a fixed demand payment of \$2.40 times the annual contract quantity of 1,510,000, or \$3,624,000 per year.

Justification - This contract replaces an expiring contract for 5,300 dekatherms per day. Pricing and terms are similar to the contract that recently expired with an approximately 4% increase in the fixed charge. The new contract has been expanded to provide additional supply at the Lincoln Gate. The loss of firm supply during peak periods, from an electric generator, created a need for additional capability at that location. More importantly, this contract is designed to reduce dependence on certain regional supplies, particularly those from Dracut, MA, that have escalated sharply in price during severe cold spells. This contract reduces this price exposure by both providing the additional supply at the Lincoln Gate Station and by providing a substantial LNG restock capability. Under this contract it will be possible to use additional LNG during periods when daily delivered prices of regional supplies spike. The LNG liquid capability provided for in the contract will also be used to provide a portion of the LNG summer restock, particularly following warmer winters. The pricing of this year's summer spot liquid LNG used for restock was NYMEX + \$2.75, 35 cents more than the pricing under this contract.

Economic Analysis - The costs related to the purchase and delivery of the LNG is recoverable from customers through the gas recovery mechanism.

Dated: August 2, 2005

  
Director, Gas Supply

  
Vice President, Finance

Approvals:  
  
President and COO, New England Gas Company

Chairman and CEO, Southern Union Company

Division 3-3

Request:

Re: the September 3, 2013, Direct Testimony of witness Stephen A McCauley at page 6, lines 5 through 10, please:

- a. Explain the appropriateness of the incentive that the Company has to internally manage its portfolio.
- b. Provide the data and analyses upon which the Company relies to assess its asset management performance relative to the past or anticipated future performance that of third-party asset managers:
  1. For the assets that witness Arangio testifies are presently managed by third parties;
  2. For the assets currently managed directly by National Grid.

Response:

- a. A properly aligned incentive provides benefits to both the customers and Company and balances the risk and effort needed to internally manage the portfolio and the associated potential value from that effort. Over the past four years, the Company's management of its gas portfolio has produced a total portfolio value annually between \$2.9 and \$8.4 million. The Company expects the amounts by which the Company will maximize the value of the portfolio to fluctuate near these values in the future. Under the Natural Gas Portfolio Management Plan ("NGPMP"), during years of low value, the Company will earn a small incentive. The Company believes based on the potential amounts by which it may maximize the value of the portfolio, the incentive under the NGPMP does not put the Company at undue risk during low value years nor provide an excessive reward to the Company during years in which the Company achieves a high maximization of portfolio value. Instead, the NGPMP provides an incentive that is properly aligned to motivate the Company to maximize the total value for the benefit of both the customers and Company.
- b.1. There is no quantifiable data available to properly assess the past performance of the third-party asset managers that the Company has utilized pursuant to the two Asset Management Agreements described in the testimony of witness Arangio. In both cases, the factors necessary to assess the past value derived from those third-

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party asset managers is not public and is unavailable to the Company. With respect to the future performance of the third-party asset manager of the Canadian assets, the Company has executed Asset Management Agreements for the Canadian assets for the reasons provided in DIV 3-5d, and consequently it has not performed a specific analysis on anticipated future value. With respect to the future performance of the East-to-West Algonquin Asset Management Agreement, the future performance of the third party manager is not quantifiable. Both the receipt and delivery points are the same market area location and therefore the forward quantifiable value is zero. The Company believes its RFP process provides the best value for the customers for the two Asset Management Agreements discussed.

- b.2. The Company cannot perform the analysis requested. The Company does not know what an asset manager would have offered for either the past performance or the anticipated future performance.

Division 3-4

Request:

Re: the September 3, 2013, Direct Testimony of witness Stephen A McCauley at page 7, lines 9 through 11, please provide a list of the criteria used to determine if the plan was still in the best interest of the customers.

Response:

In February 2009, the Company filed for the first time the Natural Gas Portfolio Management Plan ("NGPMP"). The plan proposed to in-source the management of the resource portfolio and specified the benefits to customers of moving away from third party management of the entire portfolio in place at the time. Many of those benefits are still relevant today, supporting continuation of the NGPMP.

First and foremost, the internal management of the portfolio allows the Company to control the delivery of supplies to customers, thus ensuring a reliable, least-cost and diverse supply. Under an asset management agreement, capacity is released to the asset manager and the delivery to the city gate is the responsibility of the asset manager. The Company does not know where or how firm the source of supply.

The internal management of the assets provides benefits beyond ensuring the delivery of a reliable, least-cost and diverse supply. The market knowledge and greater in-house expertise gained through the active management of the portfolio helps not only in the future development of the portfolio but also in maintaining a depth of knowledge throughout the Energy Procurement staff. Through the active management of the portfolio, Energy Procurement gains a better understanding of the supply and pipeline capacity fundamentals which helps to refine the Company's portfolio. Due to the recent development of shale supplies, the total supply situation is very dynamic and will continue to develop in the coming years.

The incentive component of the NGPMP is beneficial to customers because it encourages and rewards the Company to maximize the value from the portfolio of assets thereby lowering costs to customers. The \$1,000,000 guarantee ensures a definite level of savings to customers and the sharing of margins above the guarantee encourages the Company to maximize the value of the resource portfolio. Sharing of margins aligns the interests of customers and the Company.

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In February 2009, counter party bankruptcy was a major concern. Releasing pipeline and storage assets to a third party asset manager put the Company at risk if the asset manager were to go bankrupt. Under a bankruptcy, if the asset manager failed to deliver, there is no surety that the Company could get access back to the released assets, and in that case, would need to purchase city-gate delivered supplies to meet customer requirements. Although at this time it appears bankruptcy risk has been reduced, it does remain a concern.

Division 3-5

Request:

Re: the September 3, 2013, Direct Testimony of witness Stephen A McCauley at page 8, lines 9 through 12, please provide:

- a. The percentage of the Company's asset portfolio for the twelve months ended June 30, 2013 that was:
  1. Subject to internal management,
  2. Subject to existing or planned capacity release arrangements,
  3. Subject to Asset Management Agreements with third-party providers of asset management services.
- b. The percentage of the Company's asset portfolio for the twelve months ended June 30, 2014 that has been to date and/or the Company expects will be:
  1. Subject to internal management,
  2. Subject to existing or planned capacity release arrangements,
  3. Subject to Asset Management Agreements with third-party providers of asset management services.
- c. The list of factors which determine which method is preferable.
- d. How these factors the factors identified in part c of this request impacted the Company's portfolio management for the period ending June, 30 2013.
- e. The expectation of how these factors will impact the Company's portfolio management for the period ending June, 30 2014.

Response:

- a. For the twelve months ending June 30, 2013, after subtracting the capacity associated with the retail choice program, the following percentages of the remaining Company asset portfolio was:
  1. Subject to internal management – 90.3%
  2. Subject to capacity release arrangements – 5.3%
  3. Subject to Asset Management Agreements – 4.4%
- b. For the twelve months ending June 30, 2014, after subtracting the capacity associated

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with the retail choice program, the remaining Company asset portfolio was or is expected to be:

1. Subject to internal management – 88.5%
  2. Subject to capacity release arrangements – 7.1%
  3. Subject to Asset Management Agreements – 4.4%
- c. The following is a list of factors which determine the preferable method for managing the assets.
- Reliability and least-cost supply to meet customer requirements.
  - Maximizing the value of the assets.
  - Amount of expected excess in the portfolio for each month
  - Ability to optimize asset via capacity release.
  - Company's experience with managing the asset
  - Company's market experience in the specific geographic region
  - Consider for an Asset Management Agreement
  - Canadian importation requirements
  - Foreign currency impact.
  - Historical and forward value of receipt and delivery points
  - Liquidity of receipt and delivery points, and
  - Fundamental supply and demand of the market
- d. The following is a description of how the factors listed in part c of this response impacted the Company's portfolio management for the period ending June 30, 2013.

The Company's primary consideration was to ensure that its customers had a reliable, least-cost supply. Once the customers' requirements were met, the Company sought to maximize the value of the assets. To do this, the Company first determined whether there was any excess capacity available for a given month. If excess capacity was available, the Company considered using the release capacity market. As described below, Asset Management Agreements were used in only two discreet situations—management of the Canadian assets from Dawn to Washington and management of East-to-West capacity on Algonquin.

The Company determined that it would enter into an Asset Management Agreement for the Canadian assets from Dawn to Waddington. The Company has typically used Asset Management Agreements for Canadian assets because the Company has limited experience transacting in the Canadian gas market. Transacting in Canada requires an understanding of the Canadian capacity and commodity markets. In many cases,

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marketing companies have created separate entities to transact in the U.S and Canadian markets. The differences between these markets include differing gas import requirements, differing heat value units, and currency differences. All of these factors can be managed; however, considering that the Canadian assets comprise only 0.5% of the total capacity in the Company's Rhode Island gas portfolio the Company believes the incremental manpower necessary to directly manage the Canadian assets can be better used in other areas of its management of the Rhode Island gas portfolio. For these reasons, the Company has used Asset Management Agreements to purchase supply on the U.S. side of the boarder at Waddington, NY.

The Company used a second Asset Management Agreement for the East-to-West capacity on Algonquin. This asset is needed on colder days and therefore reliability is a priority. The receipt point on this contract is not very liquid and the Asset Management Agreement secured the supply when needed and allowed the Company to lock up some value for the non peak days when historically there was no value. Once the Asset Management Agreements are put in place, the Company internally manages the remaining portfolio using either bundled sales or capacity releases. Capacity releases are not considered in the winter months since the capacity needs to be reserved for customer requirements, leaving no excess capacity in these months. In the summer months (April – October) when there was excess capacity, the Company used a portfolio of capacity releases and daily bundled sales. The capacity release market enables the Company to lock in value prior to the start of the month. The Company uses a mix of both capacity releases and bundled sales in the summer months to attempt to capture as much overall value as possible for National Grid's Rhode Island customers.

- e. The Company will use the same criteria described in part d above to determine the preferable method for managing the portfolio for the period ending June 30, 2014.