

Moratorium Update

Progress Report

Berkshire Gas remains committed to finding a cost-effective long-term solution to meet the demand for natural gas in Hampshire and Franklin Counties.

While an interstate pipeline proposal represented the least-cost and most reliable option for supporting growth and economic development in the region, the withdrawal of that proposal required that alternatives be fully scrutinized and analyzed in light of current market conditions.

Berkshire Gas has been actively engaged in assessing a comprehensive range of solutions to serve customer demand for additional volumes of natural gas in the Pioneer Valley. At the same time, the Company has continued to commit significant resources to aggressive leak repair and system upgrades as well as administering MASS Save's best-in-the-nation energy efficiency programs.

Working with internal and external experts, Berkshire Gas has identified the two most practical resources to meet natural gas demand in the region. Those options are:

Option 1: New Distribution Main

A new distribution main extending from Berkshire Gas's existing distribution system to the Tennessee Gas mainline to the south.

Option 2: New Liquefied Natural Gas Facility

A large-scale liquefied natural gas (LNG) facility constructed to include enough additional storage capacity to allow Berkshire Gas to supply a significant number of new customers.

Berkshire Gas retained expert consultants to evaluate these options and also explored the possibility of pursuing the distribution main option with other regional interests.

Findings

In evaluating these options the Company was mindful that the cost of facilities necessary to lift the moratorium should not be borne by existing customers and that any such investments must stand on their own.

Unfortunately, each of the identified solutions would require investments in the range of \$70 to \$100 million to serve incremental growth. This level of investment nearly equals the value of the Company's total existing infrastructure across its entire service territory and makes the identified solutions uneconomical for customers.



Going Forward

With the prohibitive costs of providing additional capacity, the moratorium must remain in place until such time as a cost effective and practical alternative is found.

While the Company remains committed to evaluating options for lifting the moratorium on an ongoing basis, it has, at the same time, committed substantial resources to reinforce and add redundancy to the mechanical LNG

and Propane Air systems that currently augment our pipeline natural gas supplies during the winter months.

These investments are not a solution to the moratorium; however, they will aid us in meeting our primary obligation to provide safe and reliable service to our existing customers at a competitive price.



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