

Wholesale Investigation (IR 15-124) Initial Staff Questions for Conservation Law Foundation (CLF)
July 2, 2015

Instructions for responses: Please e-mail responses in PDF format to alexander.speidel@puc.nh.gov; responses will be promptly posted to the NHPUC website here: http://puc.nh.gov/Electric/Investigation_into_Potential_Approaches_to_Mitigate_Wholesale_Electricity_Prices.html

1. In its Maine filing, CLF estimates that it will take three to four years from signing Precedent Agreements to gas flow for a “greenfield pipeline.” How does CLF define “greenfield”? Would new construction in existing utility corridors be considered greenfield? If the answer to the previous question is yes, please provide all support for the “three to four years” estimate.
2. What is CLF’s estimate of the time from signing Precedent Agreements to gas flow for a lift and lay pipeline project? When the existing pipeline right of way is largely located in densely populated areas, could a lift and lay pipeline project be more costly and take longer to complete than a “greenfield” pipeline project?
3. In its Maine filing, CLF projects that an increase in pipeline capacity will result in reduced “asset management” revenues for LDCs resulting in higher natural gas prices for consumers. Please quantify the natural gas price increase for LDC consumers from lost asset management revenues for each of the publicly proposed pipeline projects.
4. Page 2. Please identify the New Hampshire electric utilities that are major equity investors in new infrastructure projects and provide for each the project name and the equity interest.
5. Page 3. CLF states that it does not offer a solution. However, at page 12 it goes on to say that CLF “is working with a gas markets expert to develop a proposal for states to revise their policies related to LDC on-system storage and increased use of LNG that will allow LDCs to design and sell gas products based upon enhanced utilization of this available gas capacity. Stored gas can serve to offset need at times of peak demand and thereby minimize the need for new gas pipeline capacity.” Is this proposal expected to solve or contribute to solving the high winter period electricity price problem? If yes, please provide a detailed explanation of how it will lower winter electricity prices. If no, how is the proposal relevant to this investigation?
6. Page 5. CLF reports that the “futures markets for wholesale electricity are predicting another moderately priced winter.” Are wholesale electricity futures prices a good predictor of future wholesale electricity prices? If yes, please provide the studies on which the claim is based.
7. Page 5. Please provide the corresponding CME Group futures market prices as of June 1, 2013 and June 1, 2014 for the six months December 2013 to December 2014 and December 2014 to May 2015 respectively.
8. Page 5. CLF states that if the “future[s] prices remain steady through the fall when the EDCs make their winter energy purchases (or even drop on a potential expectation of warmer winter

conditions than the past two winters), retail prices in effect for this coming winter will be far lower than this winter.” Does it follow that if futures prices do not remain steady through the fall but actually increase due to changed expectations regarding weather and/or market conditions, retail prices this coming winter could be higher than this past winter? If your answer is no, please explain.

9. Page 6. Did CLF conduct similar average bill analyses for New Hampshire commercial and industrial customers? If yes, please provide the results of that work.

10. Page 8. CLF states that “neither new pipeline capacity nor proximity to Marcellus wellheads ensures protection from cold-weather price spikes.” Assuming the receipt point for a new pipeline project is in the Marcellus Shale production area and the pipeline directly serves multiple New England gas-fired generators under firm transportation agreements, please explain why such generators would pay natural gas commodity prices that materially exceed the price of gas at trading hubs within the production area.

11. Page 9. CLF indicates that wholesale gas prices exhibited extreme volatility at Texas Eastern delivery points within the M-3 market zone during the winter of 2014/15. Does CLF agree that that volatility is the result of constraints on existing upstream pipelines delivering gas to the Texas Eastern M-3 market zone and that those constraints could be relieved through the expansion of those pipelines and/or the construction of new pipelines supplying the M-3 market zone? If CLF does not agree, what is CLF’s opinion on the cause of the volatility and why would expansion of existing upstream pipelines and/or the construction of new pipelines not solve the problem?

12. Page 9. Please explain why the extreme price volatility shown in the three NGI charts is “a strong indicator that more gas infrastructure does not necessarily lead to low or stable wholesale energy prices.”

13. Page 10. Please provide copies of the statements claiming “pipelines had been “full” during the winter of 2013-2014” and specify the pipelines to which the statements refer.

14. Page 11-12. CLF asserts that world LNG prices in the range \$6-7/MMBtu are “anticipated to direct more LNG shipments to U.S. ports, especially to receipt points with access to Northeast U.S. pricing during peak winter periods.” If the price of LNG sold to gas-fired generators in New England is based not on the landed price of LNG but on the lower of the spot price of natural gas or the price of backup fuel oil, please explain how LNG can significantly ameliorate winter period wholesale electricity prices.

15. Page 11. CLF asserts that a variety of market-based signals during 2014 led to an increase in LNG imports that lowered wholesale gas and electric prices during the winter of 2014/15. Does CLF contend that the 2014 market conditions that resulted in an increase in the availability of competitively priced LNG during the winter of 2014/15 will be repeated this year and beyond? If yes, please provide the basis for that argument.

16. Page 12. CLF states that “current regulatory policies and requirements encourage LDCs to retain this stored gas all winter to ensure availability for heating customers.” If CLF’s proposal results in stored gas being used to supply peak demands in order to minimize the need for new gas pipeline capacity, please explain how the LDCs will be able to meet the objectives of the “current regulatory policies and requirements”.

17. Page 13. CLF states that “it is likely these projects [the AIM and TGP Ct expansion projects] will have some effect on wholesale electric markets and could achieve all or most of the objectives that special Commission action may target, without additional costs for electric customers.” Does CLF contend that the effect of the referenced projects on wholesale electric markets will be temporary or permanent? If the answer is permanent, please provide all analyses that support that conclusion. Also, please describe the “effect” and provide an estimate of its magnitude.

18. Page 13. Regarding the Atlantic Bridge, Northeast Energy Direct, Access Northeast and Continent to Coast projects and the statement that some or all of these have sought, or may seek, investment from the states and electric customers, please specify for each project: (i) the form and amount of the investment sought from the states; and (ii) the form and amount of the investment sought from electric customers.

19. Page 14. Please explain why “it is an odd posture for stakeholders to be asked to propose and justify approaches that utilize efficiency and renewable resources.”

20. Page 15. CLF reports that wind energy “reduced wholesale electric prices by \$26 million during one week of extremely cold weather in January 2014.” Please provide the RENEW study on which this claim is based.

21. Page 16. CLF asserts that “Commission action to further entrench natural gas with new infrastructure for fifty years or more with new pipeline infrastructure is emphatically not a positive step for achieving the needed reductions in carbon emissions from the electric sector to achieve New England and New Hampshire’s climate goals.” Does CLF dispute that displacing an existing generator that has a high CO₂ emissions rate with a new combined cycle gas-fired generator that has a low CO₂ emissions rate will lower the average system-wide emissions rate? If the answer is no, why is this not a positive step? If the answer is yes, please explain why.