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Re: Responses to July 6, 2015 Initial Staff Questions to Eversource/Access Northeast in Investigation into Potential Approaches to Mitigate Wholesale Electricity Prices

Staff of the New Hampshire Public Utilities Commission (“Commission”) issued initial questions regarding Eversource’s comments submitted on June 2, 2015 in the Commission’s Investigation into Potential Approaches to Mitigate Wholesale Electricity Prices (“Investigation”) to Eversource/Access Northeast. To the extent the questions were directed to Access Northeast, Algonquin Gas Transmission, LLC (“Algonquin”) and Spectra Energy Partners, LP (“Spectra Energy”) are responding to the following questions on behalf of Access Northeast.¹ The Public Service Company of New Hampshire d/b/a Eversource Energy (“Eversource”) will also be submitting its own responses to the Commission’s questions.

1. Spectra Energy’s Nov 6, 2014 slide presentation states that the Access Northeast project includes upgrading the Algonquin pipeline system and local LNG storage facilities. Please explain the role LNG storage plays in the project, state when LNG commodity withdrawals will be permitted, explain how the fixed costs of upgrading local storage facilities will be recovered, detail how LNG commodity service will be priced, and explain how the commodity-based revenues will be handled.

- a. LNG storage will play an innovative role in the overall Access Northeast Project as part of the proposed FERC-regulated Energy Reliability Service (“ERS”) Rate Schedule. Access Northeast will maximize expansion of existing pipelines within existing rights-of-way and minimize the need for facilities to address the forecasted winter seasonal demand. This approach offers the advantage of minimal environmental impact and community and stakeholder disruption. This

¹ “Eversource Energy Company”, a subsidiary of Eversource Energy, National Grid Transmission Service Corporation, an unregulated wholly owned subsidiary of National Grid USA, Spectra Energy Corp., and Spectra Energy Partners, LP are working to develop the Access Northeast Project.

combination of pipeline capacity and local LNG storage is commonly used by LDCs in the region to supplement year round pipeline capacity by using LNG from storage. This approach also provides the benefit of allowing EDCs to purchase natural gas at summer prices for winter generation demands. Access Northeast is designed to provide a firm supply for a strategic share of New England's power generation fleet while at the same time making this supply available to every individual gas fired generator attached to Algonquin and Maritimes & Northeast Pipeline, L.L.C. ("Maritimes"). Thus, every individual power plant connected to Algonquin and Maritimes will have equal opportunity to compete for firm transportation up to the maximum of each aggregation area design, if it elects to do so according to its needs and economics within the existing ISO New England Inc. ("ISO-NE") rules.

- b. As currently envisioned, Access Northeast will not be upgrading existing local storage facilities but will be constructing a new LNG storage facility in the vicinity of southeastern Massachusetts. The cost of the LNG facilities will be reflected in the overall cost of service rates pursuant to a FERC-approved tariff. Access Northeast will not be engaged in providing an actual LNG commodity service but rather will be providing only a storage facility for the EDCs who will have the responsibility for securing supply, tendering the gas for liquefaction and determining the timing of vaporization and delivery of the LNG to the market. The LNG storage facility will provide the operational basis for supporting non-ratable take flexibility and no-notice supply options to generators as currently contemplated by Rate Schedule ERS. Storage withdrawals under Rate Schedule ERS are anticipated to occur primarily during the winter season, when LDC demand is highest and accordingly existing capacity is less available to generators.
 - c. As noted in a) above, Access Northeast provide the EDCs with the opportunity to acquire natural gas at deeply discounted summer prices (compared to winter prices) and to make such natural gas available during the winter period.
- 2. If LNG commodity service is to be priced on a cost-of-service basis, please provide a cost breakdown of the price of re-gasified LNG commodity assuming the commodity originates from the Marcellus Shale production area and is liquefied and stored during the summer months. Please also confirm that the developers intend to liquefy domestic natural gas. See Eversource comments at page 16.**
- a. As noted above, Access Northeast is not engaged in an LNG commodity service. The source of the gas for liquefaction will be determined by the EDCs. However, the contractual transportation paths are designed for domestic natural gas deliveries. The methodology to be utilized for the sale of the LNG commodity will be determined by the EDCs.

- 3. If LNG commodity service is priced on a market basis, please describe the market-based pricing method the developers intend to use and provide a market-based estimate of the price of the re-gasified LNG commodity. Please also explain how a market-based pricing method is consistent with the overall objective of reducing or eliminating winter period basis differentials and hence lowering the price of natural gas to gas-fired generators.**
 - a. Please see response to question number 2 above.

- 4. Will EDCs be required to purchase both pipeline capacity and LNG storage capacity service and, if so, will they be charged the same price for both capacity products?**
 - a. Pipeline capacity and LNG storage capacity service in Access Northeast are offered as an integrated service under Rate Schedule ERS and will not be available on a stand-alone basis. EDCs will be required to enter into a single agreement for this integrated service.

- 5. Please identify the receipt point(s) for the Access Northeast project. To the extent the receipt point(s) is within or downstream of Texas Eastern's Market Zone 3, explain how expanding the Algonquin pipeline as proposed will eliminate or significantly reduce the winter price volatility at Algonquin Citygates.**
 - a. Access Northeast offers the EDC's the flexibility of supply reaching back to a number of receipt points to access domestic natural gas. The receipt points are currently contemplated to be some combination of the (1) Tennessee interconnect with Algonquin at Mahwah, NJ (2) Millennium interconnect with Algonquin at Ramapo, NY (3) Iroquois interconnect with Algonquin at Brookfield, CT and (4) Iroquois future interconnect with Constitution at Wright, NY.
 - b. It is important to remember that Access Northeast is not conceived with a primary goal of eliminating natural gas pricing basis, but rather of a desire to increase reliability of electric service from natural gas-fired generation. That said, reducing price volatility and basis differential becomes a secondary benefit to providing reliable delivery to dedicated gas-fired generators. Access Northeast would caution analyzing pipeline projects solely on the expectation to "eliminate" volatility or basis differential.
 - c. Access Northeast expands the takeaway capacity from Mahwah/Ramapo by up to 500 MDth/d. Combined with projects such as the Algonquin Incremental Expansion ("AIM") and Atlantic Bridge, this type of expansion increases Algonquin's west-to-east pipeline capacity between New York and New England by approximately 70%. It is believed that this type of increase in capacity will significantly reduce volatility in the Algonquin City Gate.

- d. It is widely accepted through the independent study of several firms that projects such as Access Northeast and other Algonquin expansions will result in lower basis and lower volatility. For example, Concentric Energy Advisors prepared a study dated May 2012 that indicated a 300,000 MMBtu/day increase in pipeline capacity on Algonquin “could have reduced the New England winter price premium (i.e., the basis differential between ALGCC and TETLP M-3) by approximately 50%”. In another example, Sussex Economic Advisors prepared a report for the Maine Public Utilities Commission dated February 26, 2014² that also studied the impacts of incremental pipeline capacity on basis and volatility in New England. Noted in the report is that “as the AGT West-end Utilization reaches 80% or higher, the chances of significant basis premium greatly increase[s].” In fact historical data presented in the study observes a 75% basis reduction when capacity utilization is below 80% compared to the average basis when utilization is above 80%. These examples support the argument that additional pipeline capacity created by projects such as Access Northeast will benefit New England not only by improving the reliability of natural gas supplies to electric generators, but also by reducing energy costs via decreased basis.
 - e. In addition, by having the firm capacity entitlements, the electric industry will no longer be solely dependent on buying gas at Algonquin Citygate but can go upstream and purchase gas at basins that are at lower prices, on a firm basis.
- 6. CLF’s comments in this investigation at page 9 show two NGI charts that depict natural gas prices for the period June 2014 through June 2015 at Algonquin Citygates and Texas Eastern M-3. The charts appear to show considerable correlation between the prices at the two trading locations. Does Eversource expect that the Access Northeast project will alleviate the pipeline constraints driving the winter price volatility in the M-3 trading area? If yes, please elaborate.**
- a. We are not aware of any studies that have been conducted to evaluate how Access Northeast might affect volatility in M-3 or any other point upstream of Algonquin. But the ICF Study³ filed in this record as an attachment to Algonquin and Spectra Energy’s initial comments filed on June 2, 2015 indicates Access Northeast provides considerable cost savings to consumers.

² Sussex Economic Advisors, *Maine Public Utilities Commission Review of Natural Gas Capacity Options*, Feb. 26, 2014, available at <http://www.maine.gov/tools/whatsnew/attach.php?id=615609&an=1> (last visited July 20, 2015).

³ Access Northeast Project – Reliability Benefits and Energy Costs Savings to New England at 14, ICF International (Feb. 18, 2015) (“ICF Study”), available at <http://accessnortheastenergy.com/wp-content/uploads/2015/02/ICF-Report-on-Access-Northeast-Project.pdf>.

- 7. The EIPC Target 2 Report titled Evaluate the Capability of the Natural Gas Systems to Satisfy the Needs of the Electric Systems, issued June 20, 2014 states at page 71 that modeling of the Northeast pipeline system reveals that gas “deliverability into Massachusetts is the bottleneck, as shown in red across New York and Connecticut, reflecting the complete or near complete utilization of primary pipelines linking Marcellus with market centers in NYISO, ISO-NE and IESO.” Will the Access Northeast project alleviate the upstream constraints in New York and Connecticut? If yes, please explain how this relief will happen. If not, is it likely that the Access Northeast project will significantly reduce the winter period basis differentials at Algonquin Citygates?**
- a. Constraints on Algonquin such as those identified in the report mentioned above are a direct result of natural gas fired generators not procuring the firm capacity required to meet peak day loads concurrent with winter peak LDC loads. Therefore, Access Northeast is designed with the primary goal of meeting the peak day requirement of approximately 5,000 MWs of natural gas fired generation within ISO New England by providing firm transportation directly to power generators. Access Northeast will greatly reduce constraints on the pipeline network and any remaining constraints will be much less impactful to the electric market since power generators will have firm capacity. What we have identified is a capacity increment which, if dedicated to gas-fired generation, will be sufficient to significantly improve the reliability of gas-fired generators and will provide gas at prices sufficient to significantly lower forecasted energy costs.
 - b. Access Northeast is an expansion of Algonquin on a west to east basis from Ramapo through the end of the system. As a result, it will provide increased deliverability in Connecticut, Rhode Island and Massachusetts as well as capacity into Maine. With the additional expansions of the AIM, Atlantic Bridge, and Access Northeast projects, capacity between New York and Connecticut will increase by ~70% over today’s capacity.
 - c. Please also see response above to question number 6.
- 8. Is Eversource aware of planned pipeline projects upstream of M-3 that would increase the supply of natural gas to M-3 and thus reduce the high winter basis at that trading hub? If yes, please identify the projects and specify for each the primary receipt and delivery points, the proposed incremental capacity, and the target start date.**
- a. Penn East is a project that is specifically designed to increase the supply of natural gas into M-3. The project is designed to provide 1 Bcf/d of incremental capacity with various receipt points in Luzerne County, PA (Williams Springville; PVR/Regency Wyoming; UGI Auburn; and Transco Leidy Line) and various delivery points in Mercer County, NJ (Columbia Gas Transmission, Texas

Eastern at Lambertville, Algonquin at Lambertville, Transco). The target in-service date for Penn East is November 2017.

- b. While not yet formally proposed, the Millennium Pipeline expansion project has held an open season this past March for incremental capacity with a target in-service date of November 1, 2017. The open season notice states that receipt and delivery point options include any points on Millennium's system between its existing interconnect with Empire Pipeline in Corning, NY and Algonquin at Ramapo, NY. The proposed capacity is not listed at this time. While the Millennium project would not contemplate a delivery directly to M-3, it will have the practical effect of increasing overall supply into Algonquin, increasing Algonquin's direct access to Marcellus shale gas.
 - c. It is also important to note M3 pricing is not simply driven by supply into M-3. Much like AGT pricing, M3 is impacted by other pricing points and constraints within and around M3. To that end, there are multiple projects proposed in and around M3 that may positively impact pricing and volatility in the region. Texas Eastern has recently proposed The Greater Philadelphia Expansion Project which, if constructed, would increase last mile deliverability in M3 by approximately 0.5 Bcf/d. In addition to this project, Bentek has documented the planned pipeline expansion of approximately 0.8 Bcf/d in the mid-Atlantic region for 2015 via the TCO Eastside and Transco SE Leidy expansions. In 2017 the Transco Atlantic Sunrise project is expected to increase takeaway capacity from Northeast PA by 1.7 Bcf/d and move it south into the mid-Atlantic. Finally, in 2018 Bentek notes the addition of a potential 6 Bcf/d of pipeline expansion projects that will move yet more incremental supply from the Marcellus and Utica supply basins into the mid-Atlantic market.
- 9. Will EDC's have the ability to purchase capacity on pipelines upstream of the Access Northeast receipt point?**
- a. There is no restriction contemplated in the Access Northeast proposal that would prohibit or limit the ability of EDCs to purchase capacity on pipelines upstream of Access Northeast and delivered to Algonquin. However, the Access Northeast project is unique as compared to other proposed projects is the diversity of receipt points, and the liquidity of said receipt points in that the pipeline supply at such points exceeds the takeaway capacity.
- 10. In comments submitted to the Mass DPU, Tennessee at page 32 reports a claim by CES that for the period from December 1, 2013 through November 30, 2014, "the average price for gas at the Tennessee Z4 Marcellus trading point (pricing point for deliveries into Tennessee's NED Project in Northeastern Pennsylvania) was \$2.57/MMBtu, compared to \$5.28/MMBtu at the TETCO M3 trading point (pricing point for delivery into Algonquin Gas Transmission at Lambertville, New Jersey).**

In Eversource's opinion, is it reasonable to conclude from the CES analysis that Tennessee's NED project will provide shippers access to incremental gas supplies during the winter months at prices lower than the Access Northeast project? If Eversource disagrees with this conclusion, please explain why. In your response, please address the appropriateness of comparing prices at Tennessee Z4 and TETCO M3.

- a. No. Contrary to the misplaced perception that Access Northeast is sourcing its gas at Lambertville, NJ, i.e. the TETCO M-3 trading point, in point of fact Access Northeast will provide the EDCs a diversity of inputs off multiple pipelines by having receipt points at Ramapo, Mahwah, Brookfield and potentially Wright. Accordingly, the analogy that Tennessee has made is misplaced.
- b. In addition, Tennessee's assertions about pricing in Tennessee Z4 illustrate a major difference between Access Northeast and NED. Access Northeast takes advantage of expanding existing infrastructure to reach current supply opportunities on the west end of Algonquin. These supply points have been sufficient to support current expansion on Algonquin and will continue to support additional expansion by Access Northeast. By contrast, Tennessee must link together two major greenfield projects to reach back to the nearest liquid supply point on its pipeline network and access the pricing referred to by CES.⁴

11. Please identify each New England gas-fired generator directly served by the Algonquin and M&N pipelines in 2014. For each such generator, please state whether the gas supplies were delivered to the Algonquin or M&N pipelines by Tennessee or PNGTS.

- a. Maps indicating the names and locations of generators attached to Algonquin and Maritimes are set forth in the Attachments hereto as Maps 1 and 2. Generators on Algonquin sourced supply from multiple points on the Algonquin and Maritimes Northeast systems. Supply was sourced from Tennessee, PNGTS, Repsol via Maritimes, Columbia Gas Hanover, Excelerate, GDF Suez Everett, Iroquois Gas Brookfield, Millennium Ramapo, Texas Eastern Lambertville and Hanover, and Transco Centerville. Generators on Maritimes US can source supply at the Beverley interconnect on Algonquin as well as the interconnects with Tennessee and PNGTS and from Repsol.

⁴ Competitive Energy Services, *Assessing Natural Gas Supply Options for New England and Their Impacts on Natural Gas and Electricity Prices*, Feb. 7, 2014, available at http://competitive-energy.com/docs/2014/02/CES_REPORT_NaturalGasSupply_20140131_FINAL.pdf (last visited July 20, 2015).

12. Will the Access Northeast project have the ability to provide firm transportation service to any gas-fired generator that is directly served by the Algonquin and M&N pipelines?

- a. Yes. All power plants connected to Algonquin and Maritimes will be covered by a proposed aggregation area as reflected in Map 3 in the Attachments hereto. Within each aggregation area, each power plant will have the ability to take firm deliveries of natural gas up to the aggregate limitation of the respective aggregation area. To the extent that downstream aggregation areas do not utilize the available capacity, the capability will exist for aggregation areas within the path to receive the supply. See also response above in question number 11.
- b. Access Northeast proposes expanding Algonquin and Maritimes deliverability in four identified regional zones that directly connect to approximately 60 percent of New England's electric generation.

13. Will the Access Northeast project have the ability to supply gas-fired generators that are currently directly served by Tennessee or PNGTS? If yes, does Access Northeast intend to offer firm transportation services to such generators? If the answer to the previous question is yes, please clarify whether such service will require Access Northeast or the gas-fired generators, in all or some cases, to incur additional costs to obtain firm transportation service on other regional pipelines.

- a. As currently envisioned, Access Northeast will not be constructing pipeline capacity to supply on a firm basis gas-fired generators currently served by Tennessee or PNGTS. While these generators may be able to take service from Access Northeast, transportation on Tennessee and PNGTS will still be necessary to deliver the gas to those plants, and the quality of that service will depend upon the character of service on Tennessee and PNGTS, which will not be firm to the generators.

14. How much capacity does Eversource expect each New Hampshire EDC to purchase?

- a. Access Northeast contemplates that each EDC participant will contract for their pro rata load percentage of the 900 Mdth/day based on electric retail market share, as adjusted to reflect any EDCs who are not participating.

15. The confidential material sent by Eversource, UI and NGRID to NESCOE states that EDCs would contract for capacity under a pipeline specific Pipeline Rate Schedule that is tailored to meet the needs of the ISO-NE electric market. Does that

mean affiliated EDCs have the option of contracting with any pipeline project that has such a Pipeline Rate Schedule or just the Access Northeast project?

- a. Access Northeast believes its Rate Schedule ERS is the service which meets the description set forth in the question. Nothing in the Access Northeast proposal prohibits EDCs from signing up for additional service with other pipelines.

16. Have the developers of the Access Northeast project conducted any studies that demonstrate the 0.5 Bcf/day of incremental pipeline capacity will be sufficient to eliminate or significantly reduce the winter period basis differentials at Algonquin Citygates? If yes, please provide copies of such studies.

- a. To repeat, as previously noted, Access Northeast is not designed with the primary goal of reducing winter price differentials, it is designed to provide sufficient pipeline capacity to gas-fired electric generators (i.e. sufficient pipeline capacity to serve on a firm basis approximately 5000 MW on a given day) to increase reliability and at a cost lower than what is currently experienced. See ICF Study that was provided as an attachment to Algonquin and Spectra comments.
- b. It is important to remember that Access Northeast is not a 500 Mth/d pipeline project, but rather is a 900 Mth/d project reflecting the integration of both pipeline and LNG capacity.

17. Tennessee contends that Access Northeast would not provide the level and scope of incremental pipeline capacity necessary to cause a significant reduction in basis differential. It argues that an additional 2.4 Bcf/day of pipeline capacity must be constructed to erase the basis differential. Please comment on Tennessee's claim.

- a. We have sized Access Northeast to provide sufficient capacity to increase the reliability of electric generation and electric price. As the ICF study indicates, that will translate into a significant cost savings for the region. We don't contend nor do we think it is a legitimate goal to build capacity with the primary goal of crushing the basis if there is not a need for the gas. Instead, Access Northeast is a reliability AND cost savings solution designed to meet an assumed design day peak need of 5,000 MW of natural gas fired generation, not just to a single pipeline interconnect, such as Dracut, but directly to the individual power plant meters where the gas is needed and hence resulting in reliability of service to the generators. If the problem of reliability is solved first, then natural reductions in basis differential will occur that will substantially benefit the region. This is the Access Northeast approach.
- b. With regard to Tennessee's claims, we do not agree that pipeline capacity should be built without defining the consumption need and location to be served. Building capacity solely with the goal of reducing a basis differential runs the real risk of building capacity to points that will in fact not represent real consumption

points, and only moves the basis differential to a different location. This in turn ultimately creates a need for facilities to move the natural gas to actual markets. For example, consistent with our response to question 13 above, Tennessee's claim that its project can serve gas-fired generators located on Algonquin and Maritimes system ignore the reality that additional pipeline capacity would still need to be constructed to serve on a firm basis those generators.

18. Regarding the release of capacity to gas-fired generators, why does Eversource believe FERC's capacity release rules allow for pipeline capacity to be targeted to gas-fired generators?

- a. The proposal for EDCs to acquire and then subsequently release firm natural gas transportation rights is consistent with the FERC's open access policies provided that any such release is in compliance with the Commission's regulations and policies.
- b. Under the structure proposed in Access Northeast, EDCs would enter into contracts for entitlements to firm mainline capacity combined with storage capacity at LNG peaking facilities. The EDCs would then release the capacity directly to New England generators, or indirectly through an independent asset manager, pursuant to capacity provisions in Algonquin's tariff.
- c. Although the proposal involves the acquisition of interstate transportation capacity and release of such capacity, those actions would be conducted in accordance with the rules and regulations of the FERC. Algonquin and Spectra Energy propose, *subject to obtaining FERC approval*, to give priority to the capacity release mechanism approved by the states and to provide generically for the capacity release by the EDCs to third parties. FERC precedent related to retail access programs would support FERC's approval of a similar mechanism for EDCs. Moreover, to the extent FERC does not approve such priority, the EDCs could still release the capacity subject to the posting and bidding requirements or pursuant to an existing exemption, and generators could acquire such capacity by paying the market value for such capacity.
- d. The FERC has authority to find that public interest supports the release of capacity from the EDCs to generators, directly or indirectly, without posting and bidding. FERC's general policy requires capacity to be allocated to the person offering the highest rate. The FERC, however, has previously allowed exemptions from the posting and bidding requirements, including where the capacity is released pursuant to a state-approved retail access program and "is committed to be used for its original purpose, to serve the LDC's customers." FERC Order 712. The Commission has authorized releases of capacity as part of state-approved retail access programs on a number of occasions. Similarly, the FERC could exempt, through regulations or a case-specific waiver, a state-approved electric reliability program from its posting and bidding requirements in

releases designed to serve the EDC ratepayers that are financially supporting the construction of such capacity. It is also well-established that the FERC regularly approves unique terms of service in agreements with shippers who support the significant investment in the development and construction of incremental projects. The FERC has determined that such provisions do not present a risk of undue discrimination because they reflect the unique circumstances needed to construct incremental capacity. Nevertheless, it must be reiterated here, nothing in the proposal forces an electric generator to take capacity.

19. Eversource has indicated that the Capacity Manager would initially auction the available capacity to gas-fired generators only. Does Eversource expect the auctions be conducted weekly, monthly or annually? Also, does Eversource anticipate that all gas-fired generators will submit bids for that capacity or just generators directly served by Algonquin and M&N? What are the market implications of a pipeline expansion project not covering all gas-fired generators in the region?

- a. This question involves a decision that the EDCs will make and will be responded to by the Eversource EDC.

20. Does Eversource believe ISO-NE or the IMM will treat the cost of capacity purchased through the auction as a fixed cost? If so, is it likely that gas-fired generators will be able to recoup this cost through energy or capacity market mechanisms?

- a. This question involves a decision that the EDCs will make and will be responded to by the Eversource EDC.

21. If the cost of capacity acquired via the auction is deemed significant, explain why a generator would agree to incur this cost and risk under recovery. Why wouldn't generators with dual-fuel capability simply switch fuels and offer on the basis of oil?

- a. This question involves a decision that the EDCs will make and will be responded to by the Eversource EDC.

22. Does Eversource foresee the need for market rule changes that would allow pipeline capacity costs to be recovered through energy market or capacity market offer prices?

- a. Access Northeast sees no need for ISO-NE market rule changes. Generators are currently contracting for existing pipeline capacity albeit primarily on a short term and recallable basis as a result of capacity releases from New England LDCs and are allowed recovery of such costs pursuant to existing rules. Pursuant to existing

electric market rules, the capacity to be acquired from Access Northeast is no different from current capacity acquisition from LDCs.

23. Has Access Northeast entered into binding contractual commitments with affiliated EDCs at this time? If so, specify the EDCs and provide Staff a copy of the commitment with Eversource-NH. Are the binding contractual commitments with EDCs subject to state PUC approval?

- a. As Access Northeast announced in its press release dated February 18, 2015, Access Northeast has executed MOUs to cover the EDC subscription of 900,000 Dth/d for the project and are in late stage negotiations with EDCs for definitive precedent agreements for the project. Precedent Agreements will include a state PUC approval condition precedent. EDCs with MOUs or public indication of expression of interest during the Access Northeast open season include:

Connecticut Light & Power Co. d/b/a Eversource Energy
NSTAR Electric Co. d/b/a Eversource Energy
Pub. Svc. Co. of New Hampshire d/b/a Eversource Energy
Western Massachusetts Elec. Co. d/b/a Eversource Energy
Massachusetts Elec. Co. d/b/a National Grid
Nantucket Elec. Co. d/b/a National Grid
Narragansett Elec. Co. d/b/a National Grid
Central Maine Power Company

24. Does Access Northeast expect to export gas to Canada? If so, has it entered into any binding precedent agreements with Canadian buyers including buyers such as Pieridae who would liquefy the gas and export it to other countries?

- a. No. Access Northeast is designed to provide 100% delivery to U.S. EDCs and some LDCs.

25. Page 9. For clarification, why does Eversource believe “securing additional gas capacity/associated storage may not be a complete solution” to the high and volatile winter period wholesale electricity prices? What can other projects do that a combination of appropriately sized gas pipeline capacity and gas storage capacity cannot do?

- a. This question involves a decision that the EDCs will make and will be responded to by the Eversource EDC.

26. Page 11. Eversource addresses various risks to retail customers associated with the Access Northeast project. Not addressed is the risk that gas-fired generators choose not to bid on the pipeline capacity made available by EDCs via auction. Does

Eversource believe this is a realistic and significant risk? If yes, how can this risk be mitigated? If no, why not?

- a. This question involves a decision that the EDCs will make and will be responded to by the Eversource EDC.

27. Page 14. Eversource contends that pipeline projects that comprise only pipeline capacity may not entirely satisfy the special needs of gas-fired generators. Specifically, it states that proposals that incorporate the ability to accommodate large hourly load swings provide generators with additional benefits. Assuming Eversource is referring to the inclusion of LNG storage service in the Access Northeast project, explain how this storage will be utilized to meet the large hourly load swings.

- a. The proposed Energy Reliability Service (AGT Rate Schedule ERS) provides for reserved no notice transportation that allows electric generators to have the pipeline capacity available for nomination on a 24/7 basis. Along with the no notice capability, the integration of LNG storage provides flexibility by allowing shippers that have ERS to commence delivery for up to two hours without confirmation of nominated supply, thus allowing for a “quick start” of the plant. In addition to any interruptible pipeline flexibility that may exist, the LNG also provides non-ratable takes to the ERS shipper.
- b. Solving New England’s electric reliability issues will require that critical power plants are guaranteed service on peak days. We propose deliverability to Power Plant Aggregation Areas (PPAA), in order to reach power plants on Algonquin, and Maritimes and account for approximately 60 percent of ISO-NE’s gas fired power generation.

28. ISO-NE in a recent whitepaper contends that energy market price reductions caused by subsidized renewable resources put upward pressure on capacity market prices. Has Eversource considered the potential impact on capacity prices caused by energy price reductions driven by EDC funded pipeline expansion projects? If yes, please provide copies of related analyses.

- a. To the extent the question implies that the energy market price reductions attributable to EDC-funded contracts with Access Northeast are somehow subsidized similar to renewable resources, Access Northeast disagrees with that analogy. It is our belief that the EDCs will release Access Northeast capacity into the capacity release market under competitive market conditions. As a result, generators will not be receiving subsidized pipeline capacity entitlements.
- b. To the extent the energy market price reductions reduce revenues to other generators of costs that are more appropriately recovered in the capacity market prices, Access Northeast believes this effect will in fact improve price

transparency on the electric markets. Indeed, it is Access Northeast's impression that this is one of the goals of the Pay For Performance initiative of ISO-NE.

29. Lander for CLF testified in the Maine proceeding that the pipeline expansion projects AIM, Atlantic Bridge and Tennessee Connecticut will substantially decrease the basis differential in New England when they come online in the next two years. NEPGA and UES have made similar arguments in this investigation. What is Eversource's opinion regarding these claims? Please provide all support for your answer.

- a. We do not disagree that these projects may have a substantial impact on current basis differential. Both AIM and Atlantic Bridge will increase capacity on Algonquin through current pipeline constraints. However, neither project was designed with the specific goal of achieving a basis differential reduction. Each project was designed to meet the current and future needs of each specific project shippers (primarily LDCs). The precise amount of impact is subject to speculation.
- b. For this reason, Access Northeast is focused on the specific electric reliability needs of the region. Much like LDCs subscribe for capacity to support peak day needs in the winter, Access Northeast is designed to meet the peak day needs of natural gas fired electric generation.
- c. It is useful to understand potential energy savings in the context of pipeline expansions, but that should be a secondary evaluation with reliability being the first consideration.

30. Please provide all milestones for the Access Northeast pipeline project.

- a. As we have indicated, Access Northeast is currently targeting an in-service date for some or all of its capacity by November 2018. This in-service date however is highly dependent upon an expeditious resolution of the appropriate mechanism necessary for the EDCs to secure state approvals.
- b. Delay in the front part of this effort (i.e. securing state approvals) will forestall the construction of strategic gas capacity to the detriment of customers. In order for a pipeline project to go into service by the winter of 2018, the contracts to support the showing of public convenience and necessity before the pipeline's authorization proceedings at the FERC would need to be approved by this Department no later than the end of this calendar year.

31. Assuming New England regulators decide to support two or more regional pipeline projects, how could that decision be implemented through capacity purchases made by the region's EDCs?

- a. Access Northeast endorses the Staff recommendation that says EDC contracting decisions should be on a voluntary basis and that the EDCs will bring their contracts forward for approval. Accordingly, no solicitation process is needed. Access Northeast believes that allowing EDCs to bring contracts forward on an individual basis will provide the quickest way to provide the necessary regulatory certainty.

32. Please provide an estimate of the unit cost of firm transportation service on Access Northeast together with the term of the long-term contract for pipeline capacity.

- a. At this point in the negotiations with EDCs, this information is confidential and being finalized.

33. Attachment 1. Please identify and describe the bottlenecks/constraints on the Algonquin pipeline and state whether each will be reduced or eliminated by the Access Northeast project. If some of the bottlenecks/constraints will be relieved by other pipeline projects, please discuss.

- a. Algonquin is an interstate pipeline that transports natural gas to a variety of LDCs and electric power generators connected to its approximately 1,120-mile pipeline system. The system originates in Lambertville, New Jersey and extends through New York, Connecticut, Rhode Island and Massachusetts where it connects to the Maritimes & Northeast Pipeline. Algonquin's major customers include LDCs in the Boston, Providence, Hartford and New Haven markets. In addition, Algonquin is connected to numerous natural gas fired electric generators, the vast majority of which is served by Algonquin on an interruptible basis under either capacity release or interruptible contracts.
- b. In addition to an interconnection with Texas Eastern Transmission, LP, shippers on Algonquin can source gas from pipelines operated by Tennessee Gas Pipeline, Columbia Gas Transmission Corporation, Iroquois Gas Transmission System, Portland Natural Gas Transmission System, Millennium Pipeline Company, LLC and Transcontinental Gas Pipe Line Corporation. Each of these pipelines has either recently expanded its delivery capability into the region or is currently developing expansion projects to increase capacity in the near future. These expansions have already resulted in a current level of supply that exceeds pipeline takeaway capacity by 1 billion cubic feet per day. Additional sources of gas include LNG import and storage facilities operated by Distrigas of Massachusetts Corporation and Excelerate Energy Limited Partnership. Natural gas from offshore Nova Scotia and the Canaport LNG facility can also be transported to Algonquin customers by way of the Maritimes pipeline system interconnection near Beverly, Massachusetts.

- c. This investment in upstream pipeline capacity has been supported and financed by other entities and provides New England with an excellent opportunity to obtain supply security for the region. These upstream pipeline expansions leveraged expanding existing infrastructure to get supply to market quickly. Additionally, among these different interconnects, there is a diverse array of different sources of supply including Northeast Marcellus, Southwest Marcellus, Utica, Rockies, Western Canada and other supplies as far upstream as the U.S. Gulf Coast.
- d. As reflected on the map included in response to question 11 above, the gas-fired electric generators on Algonquin's system are located primarily downstream of the Southeast and Cromwell compressor stations. As market demand for access to the lower-cost domestic natural gas from points west of New England has grown, Algonquin has operated at essentially 100% load factor through those compressor station locations for four to five years. In fact, as reflected in Slides 1, 2 and 3 in the Attachments hereto, requests for transportation pursuant to interruptible contracts has been consistently rejected, i.e. only firm contracts have been able to be scheduled for delivery. We consistently have winter season timely cycle (NAESB) nominations for West to East transportation that are 400 to 500 Mdth/d higher than our current capacity.
- e. The constrained infrastructure has a direct effect on power costs. Natural gas-fired generators typically rely on interruptible and released capacity to supply their facilities. When generators are unable to acquire capacity on the secondary market or schedule interruptible transportation, they are forced to acquire supply on the spot market. The same competition for the scarce interruptible pipeline capacity places upward pressure on spot prices for natural gas. As reflected in the ICF Study attached hereto, there is a close correlation between natural gas spot prices and power prices.⁵ The higher natural gas spot market prices result in higher power costs, especially on pipeline peak days.
- f. While pending pipeline projects by Spectra Energy or other interstate pipelines to serve gas utility and industrial customers could alleviate some of the existing system constraints, these projects likely will not have a significant impact on electric power pricing and reliability absent generator participation. Accordingly, an innovative solution is needed to address the lack of pipeline infrastructure supplying electric generators and related natural gas price volatility. The supply diversity and access offered by Access Northeast provides the region with the certainty it needs to help ensure electric reliability for the long term.

⁵ ICF Study at 10.

Spectra Energy and Algonquin appreciate the opportunity to provide these responses on behalf of the Access Northeast project developers. Please direct any questions to Richard J. Kruse (713-627-5368) or Janice K. Devers (713-627-6170).

Sincerely,

/s/ Richard J. Kruse

Richard J. Kruse

Vice President, Regulatory & FERC

Compliance Officer

Algonquin Gas Transmission, L.L.C.

Spectra Energy Partners, LP

P.O. Box 1642

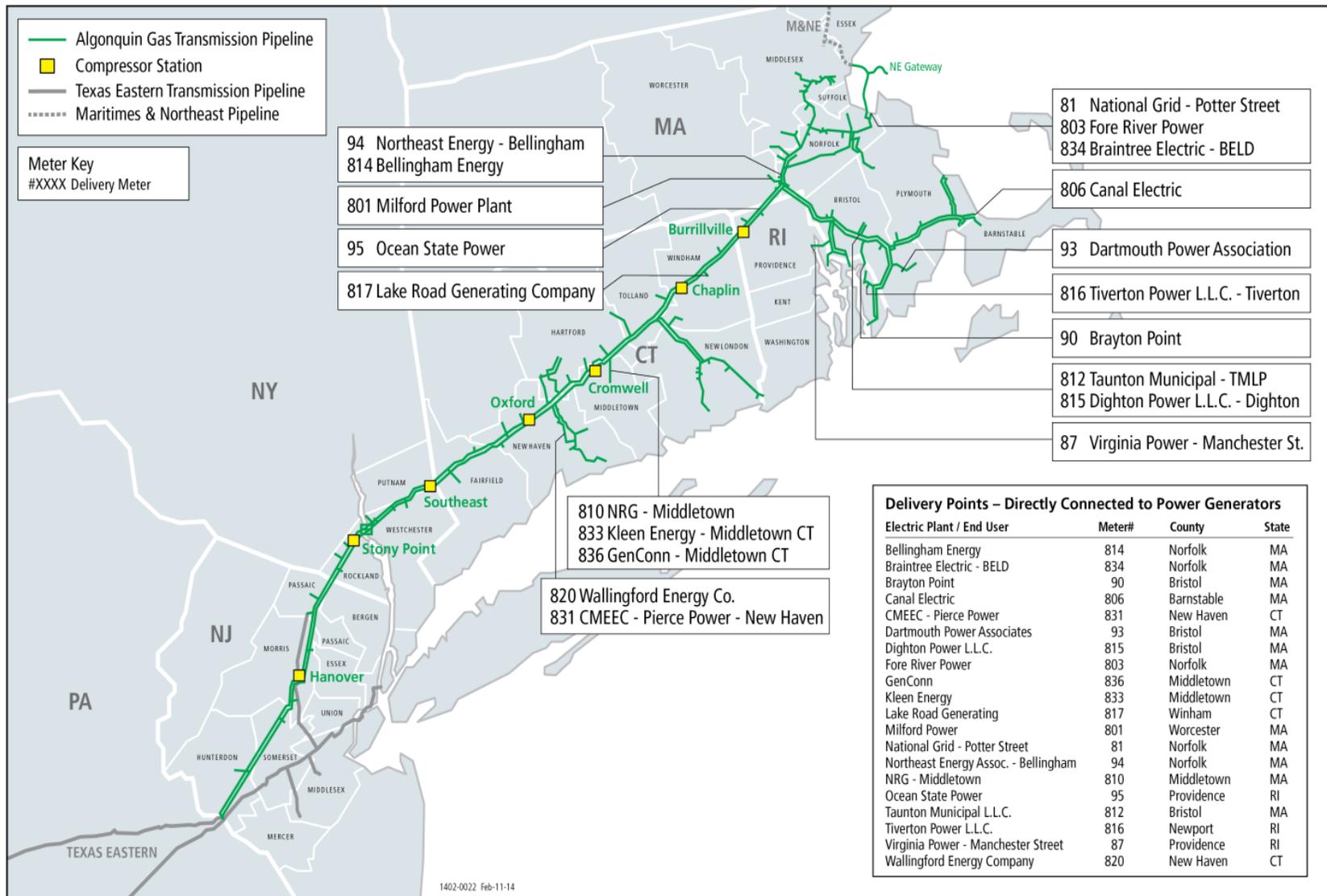
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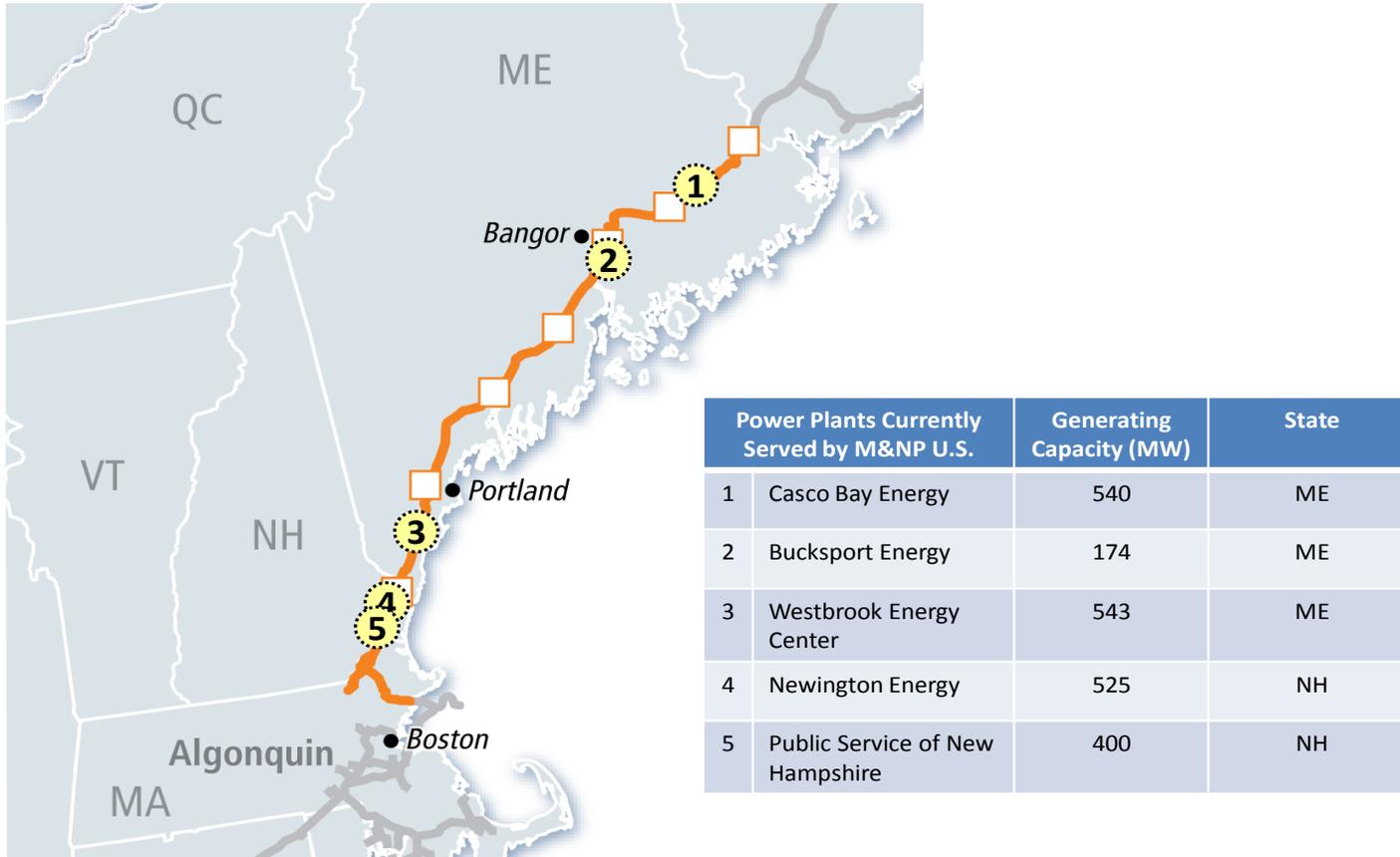
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ATTACHMENTS

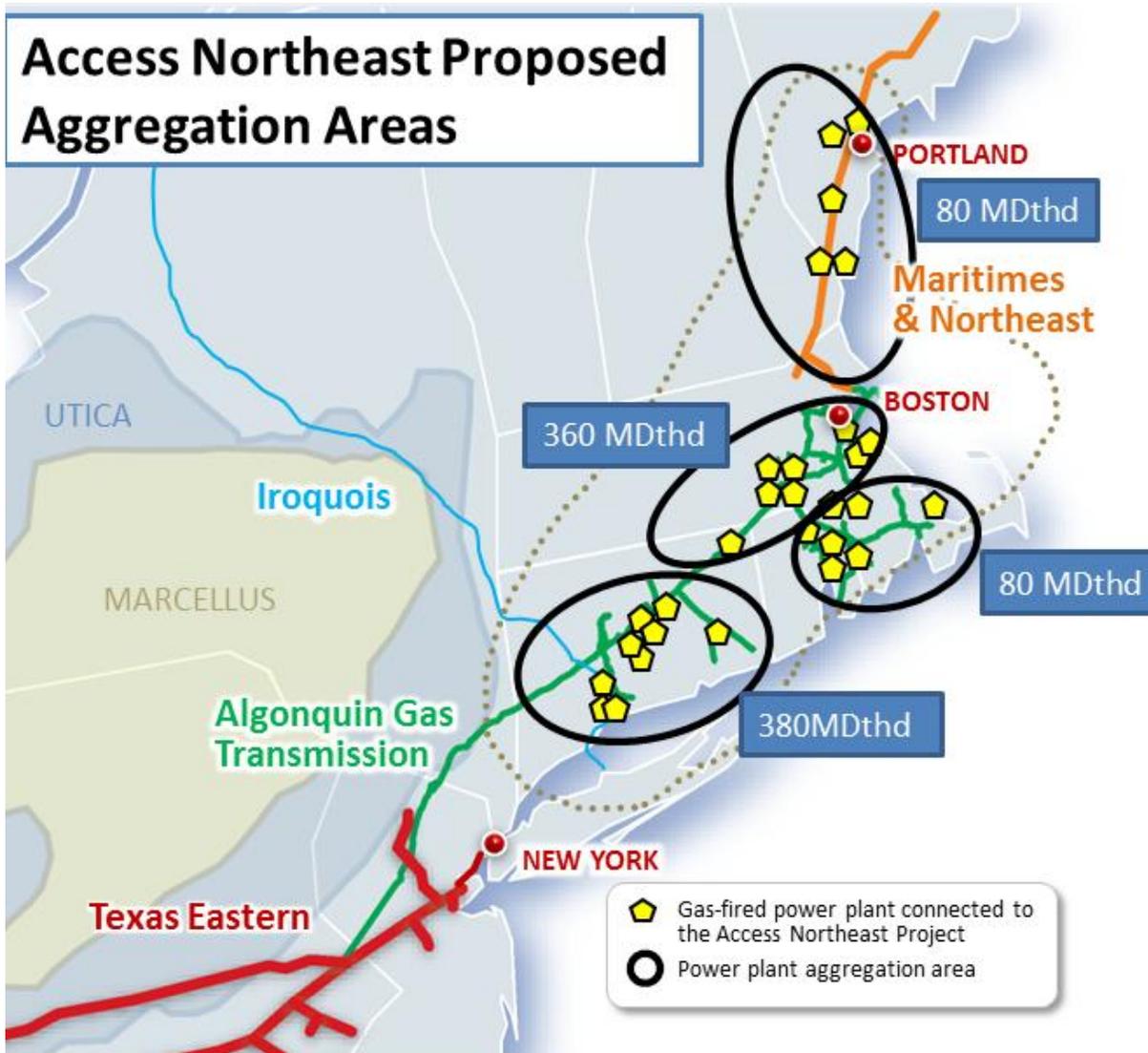


Algonquin Gas Transmission Company: Suite 300 – 890 Winter Street, Waltham, MA, 02451. Algonquin does not guarantee the accuracy of this map nor the title delineation thereon, nor does Algonquin assume any responsibility or liability for any reliance thereon.

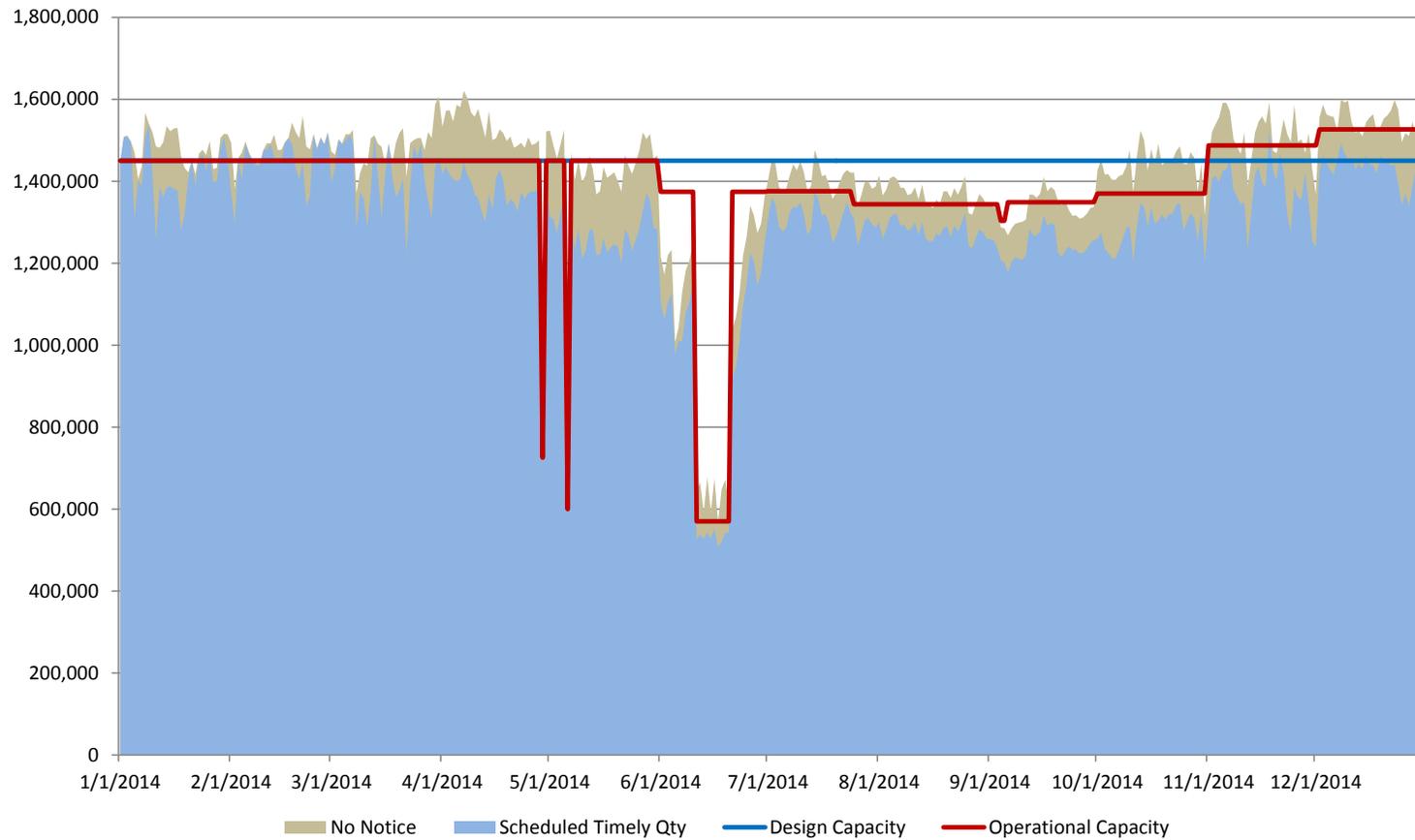
Map 1: Names and Locations of Natural Gas-Fired Generators on Algonquin



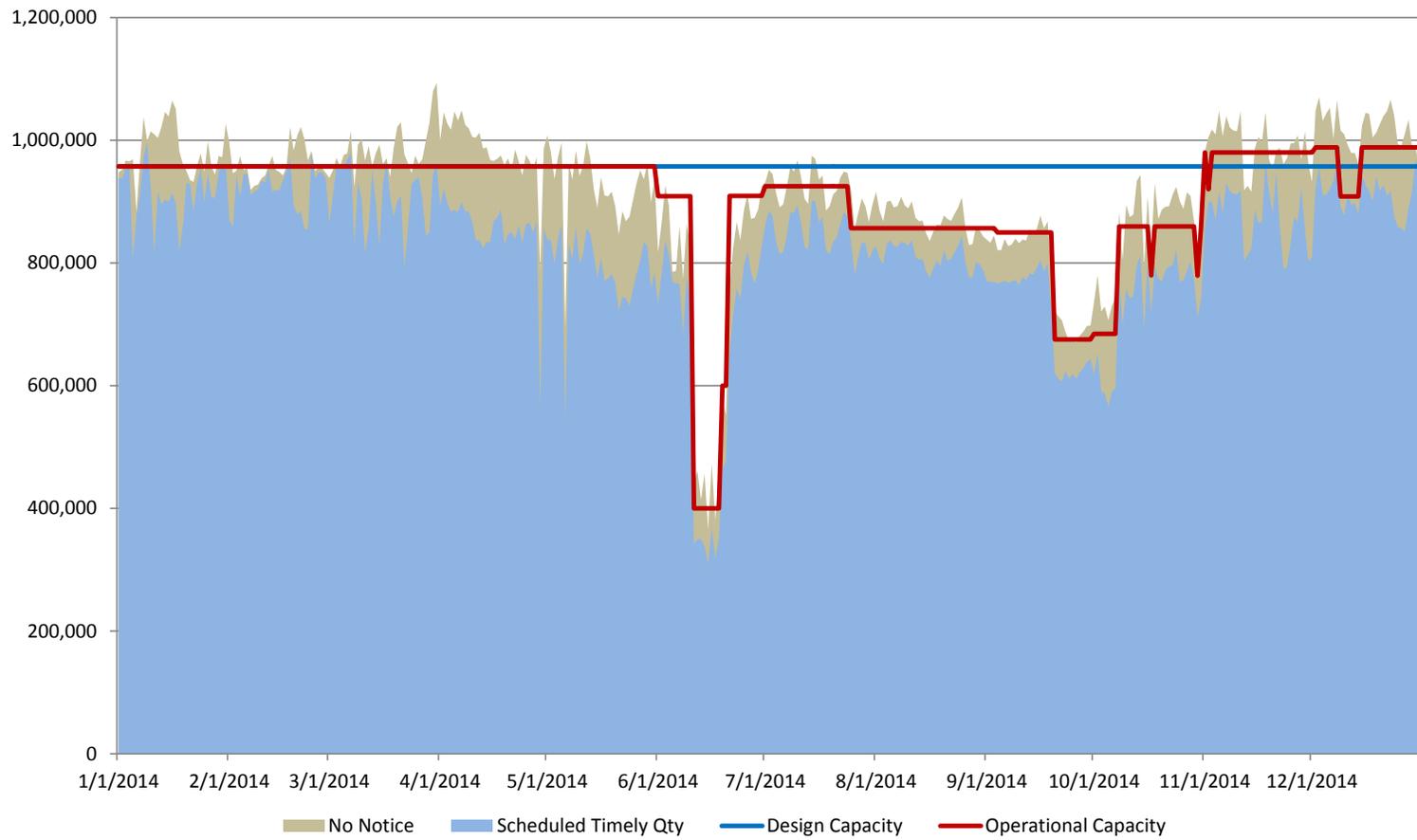
Map 2: Names and Locations of Natural Gas-Fired Generators on Maritimes



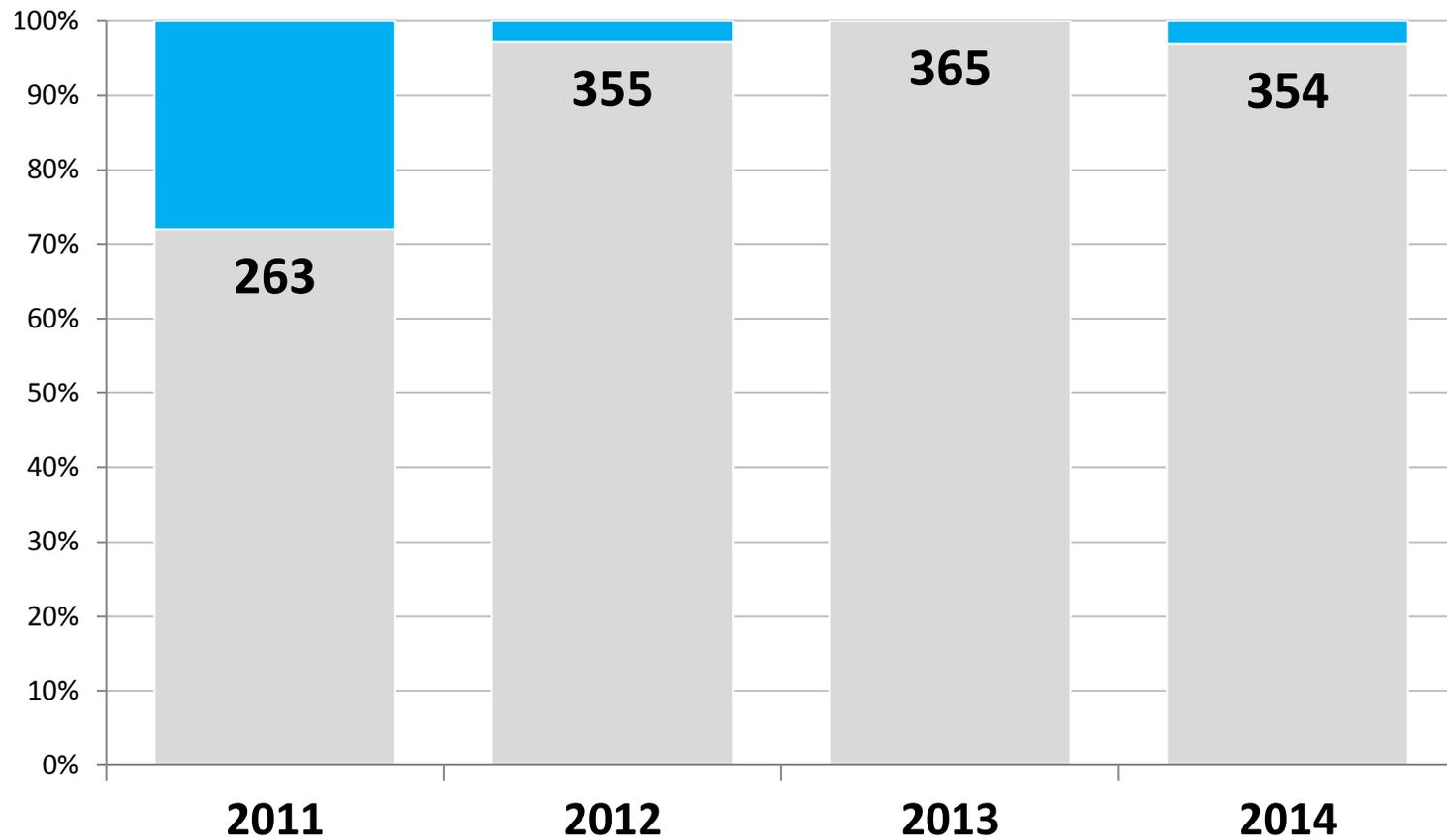
Map 3: Access Northeast Proposed Aggregation Areas.



Slide 1: Scheduled Quantities From West to East Through Stony Point Compressor Station



Slide 2: Scheduled Quantities From West to East Through Cromwell Compressor Station



Slide 3: Days with Zero Interruptible Capacity on Algonquin