

**BEFORE THE NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DOCKET NO. IR 15-124

ELECTRIC DISTRIBUTION UTILITIES

**Investigation into Potential Approaches to Ameliorate Adverse Wholesale
Electricity Market Conditions in New Hampshire**

PNGTS' INITIAL COMMENTS

Pursuant to the Order of Notice issued by the New Hampshire Public Utilities Commission (the “Commission”) in the above-captioned docket, and all other applicable authorities, Portland Natural Gas Transmission System (“PNGTS) submits the following Initial Comments in response to Commission Staff’s (“Staff”) request for stakeholder input dated May 14, 2015.

I.

BACKGROUND

On April 17, 2015, the Commission announced an investigation into potential approaches to ameliorate the high electricity prices in New Hampshire (the “Investigation”). Staff met informally with interested stakeholders on May 12, 2015 and issued a written request for input on May 14, 2015 (the “Request”).

As a provider of natural gas transmission capacity, PNGTS appreciates this opportunity to present solutions to the high winter wholesale electricity prices that have plagued electricity markets in New Hampshire in recent winters.

II.

INCREASED NATURAL GAS CAPACITY IN NEW HAMPSHIRE AS A SOLUTION

Increasing natural gas capacity into New Hampshire is the best potential solution to high winter electricity prices. An examination of the issues listed in the Request confirms this.

A. Insufficient Natural Gas Pipeline Capacity in New Hampshire is a Cause of the High Winter Wholesale and/or Retail Electricity Prices.

Electric generation in New Hampshire is produced by diverse resources, but natural gas fired generation is favored economically due to the low prices of natural gas. Because natural gas is not naturally abundant in New Hampshire, generators in the state import natural gas to fulfil their production requirements. Peak winter heating requirements tax the already-constrained natural gas pipeline infrastructure, which leads to spikes in the price of electricity in New Hampshire on the peak days.

However, the market has failed to fix this problem. Since generators in New Hampshire are not compensated to commit to underpinning firm, year-round natural gas pipeline capacity, and natural gas pipeline operators cannot build new capacity without long term commitments, the economic incentives to develop capacity to better supply New Hampshire generators does not exist.

B. Increased Natural Gas Pipeline Capacity in New Hampshire is the Preferred Solution.

Fortunately, by identifying the problem, the solution has become clear: increasing natural gas capacity to New Hampshire generators to meet their generation requirements will reduce their cost of fuel and thus of the electricity they produce. At its core, the best solution is the one that provides such an increase in natural gas capacity. This premise is widely accepted by many in the industry.

PNGTS defers to the Commission on the best method by which to use legal authorities to implement this solution. PNGTS notes that the Request suggests, as an example, a requirement that one or more New Hampshire EDCs purchase firm pipeline capacity. While PNGTS has not performed specific analyses, it seems apparent that an increase in pipeline capacity to New Hampshire generators could decrease winter gas prices in the state. To assist in further evaluation of this option, PNGTS would be happy to provide the Commission and Staff with information about its own system upon request.

C. Regional Activities.

PNGTS notes that several New England states are contemplating various actions to lower electricity prices throughout the region.¹ The Commission's consideration of their actions as part of this Investigation could benefit New Hampshire.

D. Details of a Pipeline-Based Solution.

If the Commission adopts a solution wherein New Hampshire EDCs are required to purchase firm natural gas pipeline capacity, there will be several types of details to work out. For example, the amount of firm natural gas pipeline capacity to be purchased by each New Hampshire EDC would need to be determined. This amount should be calculated as a function of the electric generation load that they are going to be serving.

Moreover, the intra- and interstate cost allocation mechanisms, geographic scope of generator and pipeline capacity, and optimization (asset management) processes must be determined. Once these issues are settled, capacity should be obtained through a competitive process involving interstate natural gas pipeline companies. This will define the optimal economics of the pipeline(s)-based solution.

¹ [See, e.g., Maine Public Utilities Commission Docket No. 2014-00071; Massachusetts Department of Public Utilities Docket No. 15-37; Rhode Island ACES; Connecticut Senate Bill 1078.]

Before any EDCs commit to pipeline capacity, the proposed pipeline volumes can be fed back into the regulators' independent model to estimate the reduction in electricity prices.

Of note, it will be very important for the New Hampshire EDCs and the Commission to evaluate potential multi-pipeline solutions to serve gas-fired generating facilities. For example, it may be much more cost effective to expand part of an existing pipeline to deliver into a section of another pipeline, than to expand that second pipeline through very congested areas.

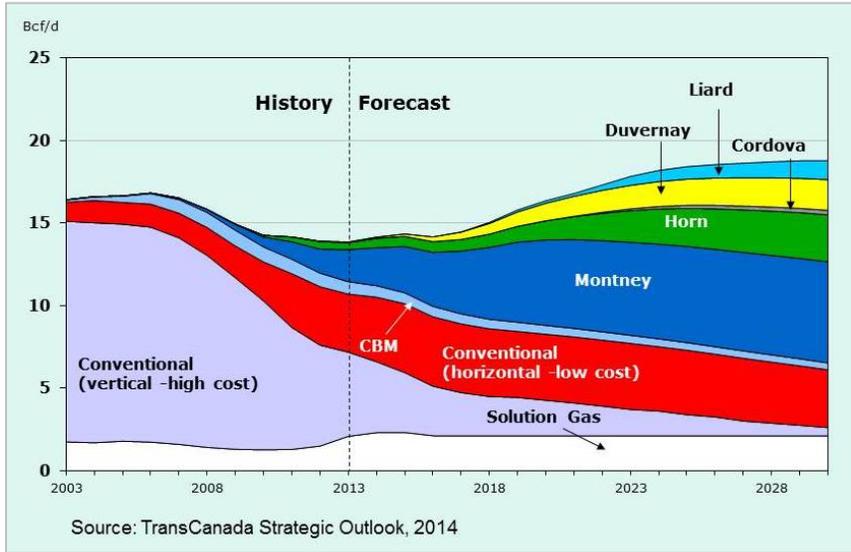
E. Reliability.

If New Hampshire generators have access to more firm natural gas deliveries, they will not be subject to curtailment of interruptible deliveries. In addition, if the capacity that serves them has multiple sources of supply basins (such as provided by PNGTS and TransCanada's Canadian Mainline), they will be further shielded from production-area-specific supply issues. Thus, more firm natural gas delivery options to New Hampshire EDCs will increase the reliability of the electric power system in New Hampshire.

F. Studies.

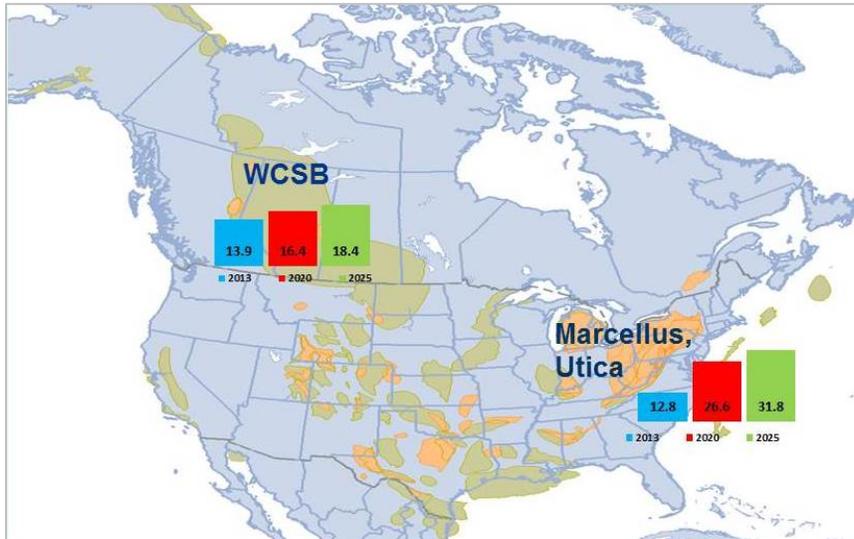
An independent, multi-system analysis and a competitive procurement process are vital to determining specific benefit-cost ratio(s), reduction in wholesale and/or retail electricity prices, and reliability enhancement. Potentially relevant to these determinations is information on the supply basin reserves that PNGTS accesses in addition to the Marcellus basin:

Fig. 1 Western Canada Natural Gas Sources



As can be seen, the decline in conventional vertical wells in Western Canada has been supplanted by shale gas, predominantly in British Columbia.

Fig. 2 WCSB and Marcellus Production



This chart shows Western Canadian Sedimentary Basin and Marcellus production. The WCSB chart includes shale gas in Western Canada. In terms of technical reserves, the Montney Shale basin in British Columbia is actually greater than the Marcellus basin.

G. PNGTS Capacity as a Potential Solution.

As an example of a pipeline-based solution, PNGTS points to capacity on its system. If New Hampshire EDCs were to contract for firm capacity on an interstate natural gas pipeline, PNGTS could provide it. Obtaining capacity on PNGTS would increase natural gas supply for electric generation throughout New Hampshire in a cost-effective, timely, and environmentally sound manner.

i. Information about PNGTS.

PNGTS is an interstate natural gas transmission pipeline directly serving markets in New Hampshire, Maine and Massachusetts, and indirectly serving other New England and Atlantic Canada markets. PNGTS went into service in 1999 and is one of the newest pipelines in New England.

The PNGTS system is comprised of 144 miles of 24” diameter pipe from Pittsburg, NH to Westbrook, ME and 101 miles of 30” diameter pipe from Westbrook, ME to Dracut, MA.² It delivers to various points throughout New England, including into Tennessee and Algonquin pipelines near Boston for distribution and generation in that area, as well as the Maritimes and Northeast Pipeline at Westbrook, ME.³ The benefits of these deliveries are compounded through PNGTS’ high pressure rating (1,440 PSI MAOP) into the pipeline grid.

To increase capacity, PNGTS can be readily expanded via (i) additional upstream pressure commitments by TransCanada’s Canadian Mainline or (ii) addition of compression on PNGTS.

² See Attachment 1 – PNGTS Map.

³ See Attachment 2 – PNGTS Markets.

ii. Marcellus supply.

PNGTS provides access to domestically sourced Marcellus gas. Marcellus gas is exported into TransCanada's Canadian Mainline at Niagara Falls, NY and transported to PNGTS at Pittsburg, NH. When the Constitution pipeline is built in New York in 2016, it will add to the other Marcellus supplies delivered into Iroquois pipeline from Dominion Pipeline (at Canajoharie, NY) and Algonquin Pipeline (at Brookfield, CT). These supplies will flow north on Iroquois pipeline to TransCanada's Canadian Mainline at Waddington, NY and then to PNGTS at Pittsburg, NH. PNGTS is working with Iroquois, Dominion and Constitution pipelines to bring large volumes of additional Marcellus supply up through existing pipe-in-the-ground and back down into New Hampshire and New England via the PNGTS system. PNGTS' access to both Marcellus and Western Canadian supplies enhances its reliability.

iii. Future projects.

PNGTS recently successfully concluded its Continent-to-Coast ("C2C") Open Season, and is moving forward with finalizing approximately 100K Dth/day of 15 year contract commitments. However, further expansion is necessary to sufficiently supply New Hampshire's electric generators/EDCs. PNGTS is preparing to offer its next expansion project that could double its deliverability. Additional expansion beyond this level may also be accommodated, based on market demand.

iv. PNGTS capacity as a solution.

Increasing natural gas capacity into New Hampshire will be an effective way to address New Hampshire's high winter electricity prices. If the Commission takes action to encourage such an increase, PNGTS will be ready and willing to offer a cost-effective, timely, reliable, and environmentally sound option.

H. Follow-up questions and meetings.

In the Request, Staff contemplated asking follow-up written questions of stakeholders that have made timely submissions, and/or scheduling bilateral meetings with these stakeholders. PNGTS looks forward to participating in these follow-up inquiries. Staff is invited to contact PNGTS' representatives at Staff's convenience.

III.

CONCLUSION

Through this Investigation, the Commission and Staff can take great strides to reduce high winter costs of electricity in New Hampshire. PNGTS appreciates the opportunity to provide input and looks forward to helping the Commission and Staff as needed.

Respectfully Submitted,

PORTLAND NATURAL GAS
TRANSMISSION SYSTEM

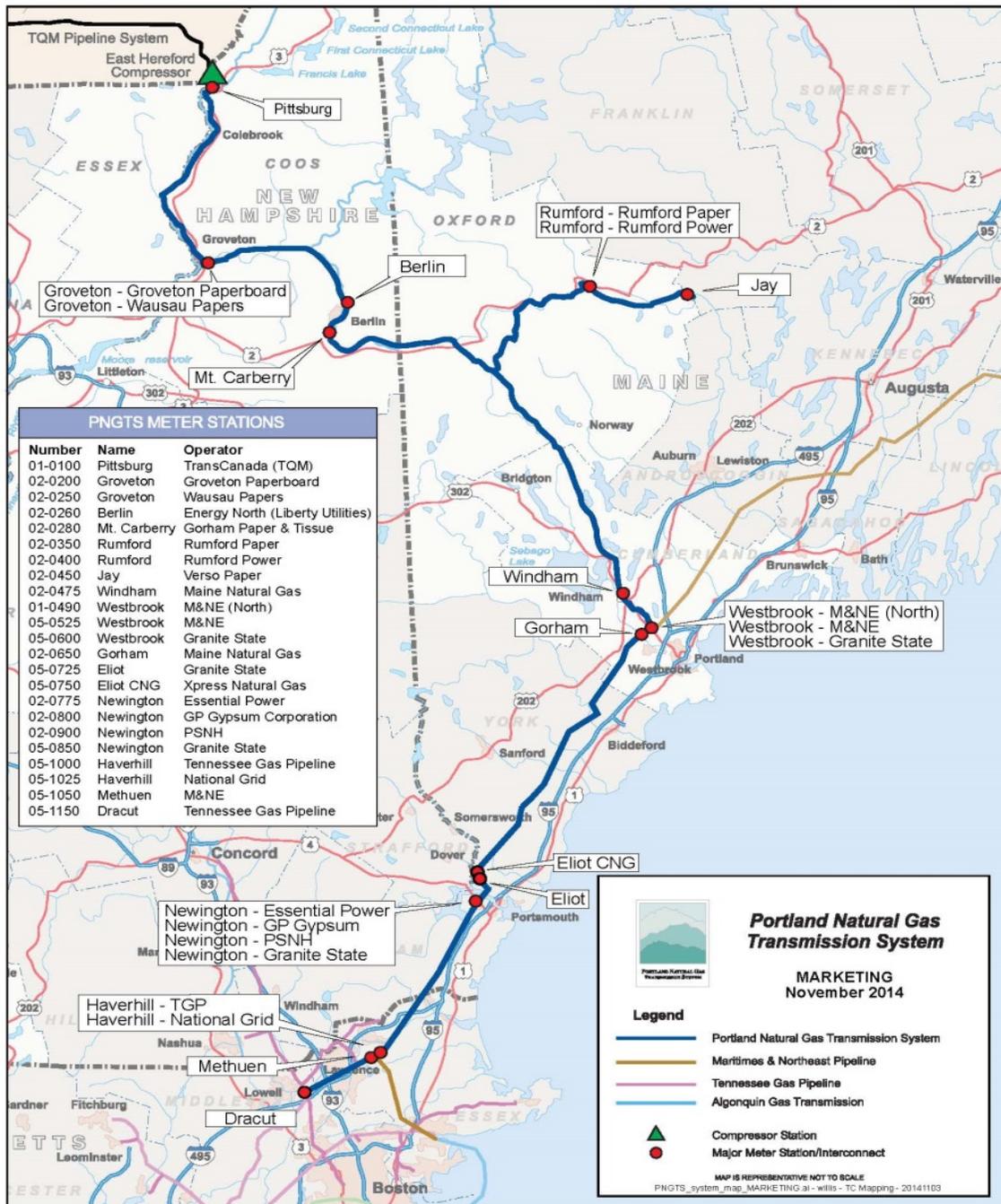


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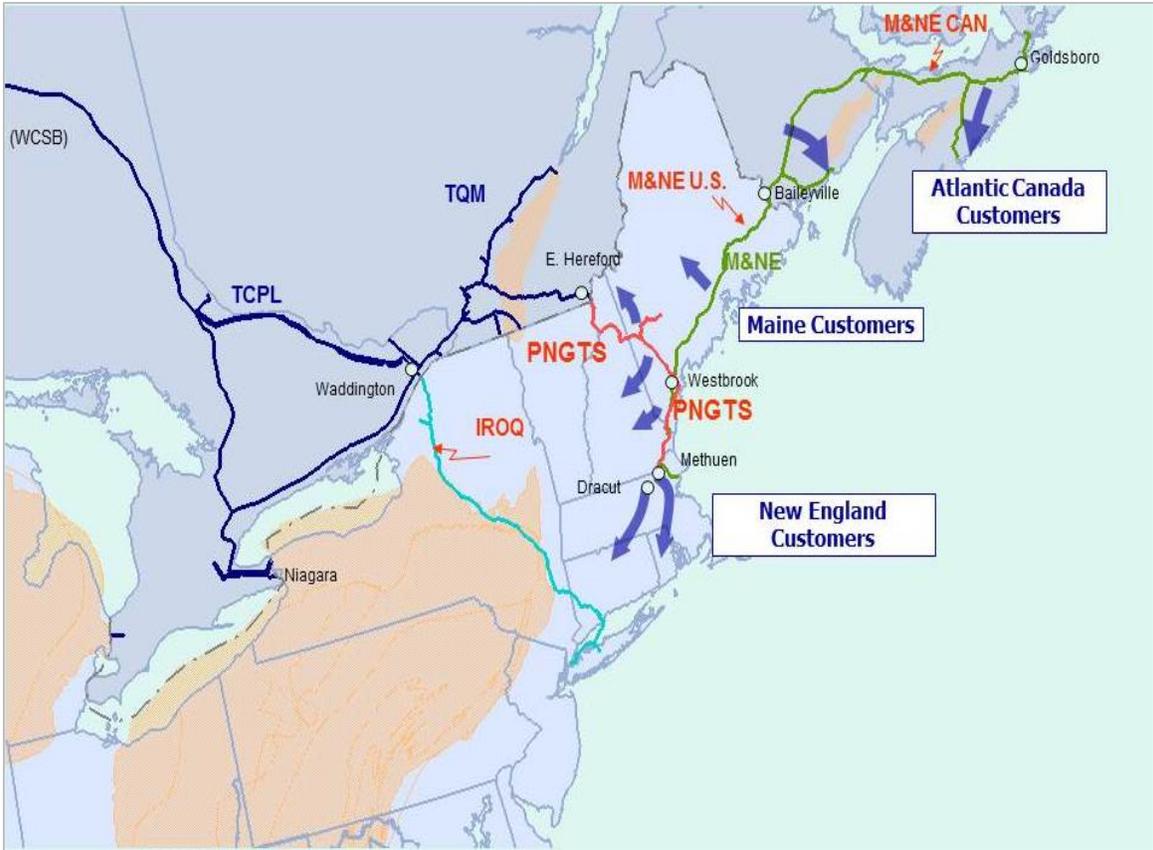


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ATTACHMENT 1



ATTACHMENT 2



ATTACHMENT 3

