REDACTED

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

DOCKET NO. DE 16-___

PETITION FOR APPROVAL OF A LONG-TERM CONTRACT FOR NATURAL GAS INTERSTATE PIPELINE CAPACITY

JOINT DIRECT TESTIMONY OF
CHRISTOPHER J. GOULDING
AND LOIS B. JONES

February 18, 2016

Q. Please state your name, business address and position.

A. My name is Christopher J. Goulding. My business address is 780 North Commercial Street, Manchester, New Hampshire. I am employed by Eversource Energy Service Company as the Manager of New Hampshire Revenue Requirements. In that position, I provide service to Public Service Company of New Hampshire d/b/a Eversource Energy ("Eversource" or the "Company").

Q. Have you previously testified before the Commission?

A. Yes, I have.

Q. What are your current responsibilities?

A. I am currently responsible for the coordination and implementation of revenue requirements calculations for Eversource, as well as the filings associated with Eversource's Energy Service rate, the Stranded Cost Recovery Charge, the Transmission Cost Adjustment Mechanism, and the Alternative Default Energy Service Rate.

Q. Please state your name, business address and position.

A. My name is Lois B. Jones. My business address is 780 North Commercial Street, Manchester, New Hampshire. I am employed by Eversource Energy Service Company as the Team Leader of the New Hampshire Rates Department.

Q. Have you previously testified before the Commission?

A. Yes, I have sponsored testimony before the Commission in the 2014 and 2015 TCAM rate adjustment dockets.

Q. What are your current responsibilities?

A. I have general responsibilities for the Company's rate design and administration of its Delivery Service tariff.

Q. What is the purpose of your testimony?

A. Our testimony describes the Company's proposed Long-Term Gas Transportation and Storage Contracts ("LGTSC") cost recovery mechanism, which allows for recovery of costs associated with an agreement executed by Eversource for the provision of interstate pipeline transportation and gas storage services to electric generation facilities in the ISO-NE region.

Q. What attachments are you including with your testimony?

A. We are including three attachments, designated as follows:

(1) **Attachment EVER-CJG-1** sets forth the cost elements used to develop an illustrative rate under the provisions of the proposed LGTSC cost recovery mechanism;

(2) **Attachment EVER-LBJ-1** includes illustrative tariff pages;

(3) **Attachment EVER-LBJ-2** illustrates bill impacts for an average customer in each of the Company's major rate classes.

Q. Please provide a summary of the proposed cost recovery mechanism.

A. The LGTSC rate would enable recovery of the costs incurred by Eversource in relation to the proposed contract between Eversource and Algonquin Gas Transmission, LLC ("Algonquin") regarding the Access Northeast project (the "ANE Contract"). As described in the testimony of Mr. James G. Daly, through the ANE Contract Eversource is entering into a 20-year service agreement with Algonquin. Eversource will net the costs of the ANE Contract against revenues received through capacity release and sales of liquefied natural gas ("LNG") inventory to certain parties in the New England region. The net costs (or credits) will be recovered (or credited) through a uniform cents-per-kWh rate on all retail electric customers served by Eversource.

Q. Have you provided a sample calculation of the LGTSC rate?

A. Yes. Attachment EVER-CJG-1 sets forth a sample calculation for the development of the LGTSC rate. The calculation nets the estimated cost of the ANE Contract against estimated capacity release revenues and sales from LNG inventory. Any under- or over-recovery is carried forward to the next month. In a given year, the annual reconciliation would reconcile actual costs against actual revenues and carry forward any balance at year-end for recovery in the following year.

Q. Please describe the components of the ANE Contract to be recovered in the LGTSC rate.

A. The ANE Contract costs fall into three primary categories: (1) Transportation; (2) Storage; and (3) Administration. The Transportation component includes a reservation charge for the pipeline capacity and variable and fuel charges for transporting gas from one point to another. The Storage component includes a reservation charge for the maximum quantity of gas that can be withdrawn from the LNG storage facility. Storage costs also include the cost of liquefaction and vaporization and the cost of the gas commodity. Withdrawals from storage are subject to an inventory financing charge at the Company's monthly short term debt rate. Lastly, Administration costs would encompass fees paid to the Capacity Manager and consulting fees or other similar costs incurred by the Company to effectuate the contract. Revenues offsetting those costs would be obtained from capacity releases and sales from LNG inventory, as discussed in Mr. Daly's testimony.

Q. Is Eversource proposing an LGTSC rate for effect at this time?

A. No. Eversource will propose a rate for effect once there is greater certainty surrounding the online date of the project and the ANE Contract has been executed and approved by the relevant authorities, including the Federal Energy Regulatory Commission and this Commission.

Q. Is Eversource seeking approval of its proposed LGTSC cost recovery mechanism in this case?

A. Yes. Approval of the cost recovery mechanism will facilitate the filing of the LGTSC rate at a future point in time.

Q. What rate design is Eversource proposing?

A. Since the cost of supply to customers is directly related to kWh sales, supply-related reconciling rates should be recovered on the same basis. Since the ANE Contract will be used to directly serve electric generation facilities in New England, Eversource is proposing that the LGTSC rate be collected on the basis of a uniform cents-per-kWh rate applicable to all delivered kWh for all customer classes.

Q. What is the bill impact on customers resulting from implementation of the LGTSC rate?

A. Mr. Kevin Petak, Vice President of Energy and Advisory Services at ICF International, is supporting the estimation of cost savings to New England customers. The report titled, "*Access Northeast Project - Reliability Benefits and Energy Cost Savings to New England Consumers*" ("the ICF Report"), provided as Attachment EVER-KRP-2, estimates that on average, under normal weather conditions, the Access Northeast project could save New England electric consumers $1.4 to $1.9 billion per year. The increased availability of gas to electric generation facilities in the New England region afforded by the ANE Contracts is expected to reduce wholesale power prices as shown in Figure 16 of the ICF Report.

Attachment EVER-LBJ-2 presents illustrative average bill impacts by netting the ICF forecast of wholesale power price reductions from 2022 through 2024 against the illustrative LGTSC rates shown in Attachment EVER-CJG-1. Bill impacts are shown for these years to reflect costs upon the completion of the Access Northeast project. This analysis shows net average annual bill reductions across all customer classes under four different scenarios. Two of the scenarios assume no offsetting market revenues (i.e., capacity release and LNG inventory sales) with wholesale price reductions under low and high gas price volatility as modeled in the ICF Report.

The other two scenarios assume that market revenues offset 50 percent of contract costs with wholesale price reductions under low and high gas price volatility. Average bill reductions by sector range from [redacted] percent to [redacted] percent across the four scenarios. The low end of the bill impacts reflects a zero market revenue offset. This is intended to show that bill savings can be realized under very conservative assumptions. The 50-percent market revenue offset scenario reflects a more realistic estimate of potential bill savings under the ICF forecast where savings range from [redacted] percent to [redacted] percent under the low gas price volatility scenario, and [redacted] percent to [redacted] percent under the high gas price volatility scenario.

Q. Does this conclude your testimony?

A. Yes, it does.