

Wholesale Investigation (IR 15-124) Initial Staff Questions for New Hampshire PLAN - July 13, 2015

Instructions for responses: Please e-mail responses in PDF format by July 24, 2015 to alexander.speidel@puc.nh.gov

1. To the degree that NH PLAN has a specific solution to the region's high and volatile winter electricity prices that it would like Staff to consider as part of its investigation, please provide the details of that solution. For example, if the solution is LNG based, identify the type, scale, and cost of the required facilities, specify how the proposed products/services (including LNG commodity service) would be priced, and state whether the source of the LNG commodity is domestic or foreign and whether the project owners/developers are non-regulated. Finally, provide a clear explanation of how the project will reduce winter wholesale electricity prices.
2. Page 1. Please explain why NH Plan believes the NED project is the least likely alternative to result in the mitigation of price volatility and assured reliability in the electric market?
3. Page 2. Please provide in Excel format the EIA data used by CLF to construct the charts shown on page 2..
4. Page 2. NH PLAN asserts that there was a "lack of price volatility in 2015's gas-electric market despite having to endure record breaking cold snaps and average temperatures 26.5 degrees colder when contrasted with milder polar vortex winter temperatures of '13/'14." Please respond to the following questions:
 - (i) Attachment 2 to Eversource's comments in this investigation plots the daily average LMPs at the Mass Hub for the period January 2013 through March 31, 2015. Does NH PLAN dispute that the LMPs for 2015 show significant volatility? If yes, please explain the basis for this disagreement;
 - (ii) Attachment 2 also charts daily natural gas spot prices at Algonquin Citygates for the same period. Does NH PLAN dispute that the spot prices for 2015 show significant volatility? If yes, please explain the basis for this disagreement;
 - (iii) Provide all data to support the claim of "record breaking cold snaps and average temperatures 26.5 degrees colder when contrasted with milder polar vortex winter temperatures of '13/'14."
5. Page 3. Please clarify whether the \$13/MMBtu was the landed price of imported LNG during the 13/14 winter peak or the price sold by GDF Suez to LNG customers. Also, please provide support for the claimed \$13/MMBtu.
6. Page 3. Please provide support for the claim that residents and businesses spent \$2.8B on electricity during the 2014/15 winter. In your response, please define the "winter" period.
7. Page 4. Regarding the statement that "pipeline infrastructure on the order of magnitude of the NED project poses an excessive solution to the winter peaking delivery issues of the short and mid-term", please respond to the following:
 - (i) Specify the capacity of the NED project in Dth/day implicit in the statement and provide the support for this quantity.

- (ii) Please clarify the meaning of the phrase “short and mid-term.”
 - (iii) Is it NH PLAN’s position that a pipeline expansion project substantially smaller than the NED project would be capable of eliminating or significantly reducing winter basis differentials in New England? If yes, please specify the minimum pipeline size that would achieve that goal and provide support for NH PLAN’s position. If no, please explain why NH PLAN believes the NED project poses an excessive solution to the winter problem.
8. Page 5. Please provide all support for the claim that the full [investment] cost of the NED pipeline project (i.e., combined supply and market path solution) is approximately \$5.5billion.
9. Please clarify whether the domestic and imported LNG storage options detailed in the chart on page 6 are assumed to be developed and operated by non-regulated entities and the costs recovered through market-based pricing.
10. Page 5. Regarding the chart labeled pipeline fuel costs, please respond to the following:
- (i) Is the \$5/Dth supply rate a proxy for the per Dth winter price of natural gas at the pipeline receipt point? If yes, identify the receipt and provide support for the supply rate. If no, explain what the rate represents and provide all support.
 - (ii) Is the \$2/Dth-day transportation rate a proxy for the daily cost of firm transportation (including return on investment) on a pipeline? If yes, provide support for the transportation rate. If no, explain what the rate represents and provide all support.
 - (iii) Does the last column represent the annual cost to end users (i.e., gas generators)? If no, explain what the annual cost represents?
 - (iv) Should the overall average delivered price be \$17/Dth instead of \$7/Dth?
11. Page 6. Regarding the chart labeled domestic LNG fuels costs, please respond to the following:
- (i) Is the \$5/Dth supply rate a proxy for the per Dth price of natural gas delivered to New England citygates during the summer months? If yes, provide support for the supply rate. If no, explain what the rate represents and provide all support.
 - (ii) Regarding the \$60.8 million annual supply cost, does this option assume the operator of the LNG storage facility sells the regasified LNG commodity to LNG customers at cost? If no, explain what the annual supply cost represents .
 - (iii) Explain what the \$5/Dth-day liquefaction rate represents and provide all support for that rate.
 - (iv) Explain how the annual liquefaction cost of \$30,857,143 was calculated.
 - (v) Why are the variable costs of vaporization excluded?
 - (vi) Given that the pipeline option includes charges for firm transportation service, why does this option exclude charges for firm storage, liquefaction and vaporization services?
12. Page 6. Regarding the chart labeled imported LNG fuel costs, please respond to the following:
- (i) Is the \$10/Dth supply rate a proxy for the per Dth landed cost of imported LNG? If yes, provide support for the supply rate. If no, explain what the rate represents and provide all support.
 - (ii) Regarding the \$60 million annual supply cost, does this option assume the operator of the LNG storage facility sells the regasified LNG commodity to LNG customers at cost? If no, explain what the annual supply cost represents.

- (iii) Does the statement that “LNG imports come from established facilities where the same fixed construction costs of the other two options do not apply” mean that the fixed costs of such facilities are sunk and therefore need not be included in any cost comparison? If no, what does the statement mean and how does it relate to this option?
 - (iv) Given that the pipeline option includes charges for firm transportation service, why does this option exclude charges for firm storage and vaporization services?
13. Page 7. NH PLAN cites to an article in the Portland Press Herald as support for the statement that “LNG imports are expected to be reasonably priced for winter reliability and fuel assurance in much of the foreseeable future.” Please identify the specific passage in the article that supports that conclusion.
 14. Page 7. NH PLAN contends that ICF International’s Phase II Report on New England’s natural gas pipeline capacity “demonstrates that EE can reduce winter peak day gas consumption by as much as 550,000 Dth by 2019/20.” Does NH PLAN agree that the report actually states that the Phase II Energy Efficiency scenarios “reduced project[ed] winter peak day gas consumption by as much as 550,000 Dth by 2019/20” and that “the consumption reductions in the Energy Efficiency cases were not sufficient to eliminate the projected winter peak day supply deficits.”
 15. Page 8. Please provide all support for the claim that “New Hampshire’s own PUC commissioner has endorsed a plan to take New England from its current reliability of 56% on this single fuel source of natural gas to 87% gas reliability in New England.”
 16. Page 8. Please provide all support for the claim that the “current sitting ISO-NE chairman and president has been on record as saying he would be happy with 100% dependence on natural gas.”
 17. Page 9. Please provide all support for the statement that “oil and LNG are proving competitive with domestic shale gas in the current marketplace.”
 18. Page 11. NH PLAN states that “As can be observed from the numbers, physical pipeline capacity is not actually constrained in New England’s natural gas supply nor is it expected to be for the projected future.” Since the numbers on page 11 do not support the claim, please provide the numbers to which NH PLAN refers and specify the source.
 19. Page 11. NH PLAN states that “on the Iroquois Gas Transmission System (IGTS) much of the potential flow to New England is captured upstream by the Mid-Atlantic states where demand for gas and its price points tend to be higher.” Please explain why it would be appropriate to include Iroquois capacity that is under contract to non-New England gas users in an analysis of New England gas supply capability.
 20. Page 11. What specific upstream adjustments does NH PLAN believe should be made that would have an effect on gas supply to the New England region? For each adjustment, explain how it would relieve existing constraints and reduce the basis differentials.
 21. Page 11. Please explain how Spectra’s New Jersey expansion projects increase the potential for New York-contracted capacity to flow to New England anchor shippers. In your response,

identify the anchor shippers and discuss why such shippers would have a need for incremental Iroquois gas supplies.

22. Page 11. Assuming the expiring mid-Atlantic contracts do make available between 0.7 and 1.5 Bcf/day of incremental gas supply to the region, how would those gas supplies be delivered to New England gas customers?
23. Page 11. NH PLAN contends that the AIM and TGP CT projects are “predicted to cover based load demand projections for New England for as much as 10 years afterward.” Please clarify the meaning of the phrase “base load demand projections”.
24. Page 12. Please explain how the Constitution pipeline can provide incremental gas supply capacity to New England.
25. Page 13. Regarding the claim that “the ISO-NE CEO admitted that the point of the N.E. governor’s plan is to “overbuild” gas pipeline”, please provide the full text of the CEO’s Washington D.C. statement.
26. Page 14. Regarding the reference to a reprieve in design day conditions, explain why a change in design day gas conditions or requirements would be appropriate and specify the extent of the proposed change.