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Alexander Speidel  
Staff Attorney/Hearings Examiner  
New Hampshire Public Utilities Commission  
21 S. Fruit St., Suite 10  
Concord, N.H. 03301-2429

**Re: Responses to Staff Questions For August 26, 2015 Follow Up Meeting For Access Northeast in Investigation into Potential Approaches to Mitigate Wholesale Electricity Prices**

Dear Mr. Speidel:

Algonquin Gas Transmission, LLC (“Algonquin”) and Spectra Energy Partners, LP (“Spectra Energy”) hereby provide the following responses to Staff of the New Hampshire Public Utilities Commission’s follow-up questions regarding the Access Northeast subscription process on behalf of Access Northeast:<sup>1</sup>

- 1. Staff needs to have the developers of the Access Northeast project explain why they believe there is a need for a pipeline project that has as its primary objective the enhancement of grid reliability at a time when the power system already includes 6,000 MW of dual fuel capable gas generators and the ISO’s Pay for Performance capacity market redesign is expected to encourage additional dual fuel capable resources (including fuel oil and firm LNG contracts) through a system of incentives and penalties.**

The primary objective of Access Northeast is to enhance fuel availability for power plants, particularly on peak days. Access Northeast will provide firm capacity and interconnect to New England’s natural gas-fired electric generation. The project is designed to be highly efficient and includes the well-tuned combination of additional pipeline capacity and smart use of existing and/or expanded regional gas storage facilities. This combination will better match the needs of the region economically and environmentally. In short, the gas will reach key power plants on the coldest and warmest days.

New England generation is very dependent on natural gas for fuel. Currently there is approximately 18,000 MW of generation which is capable of using natural gas. However, in recent prior winters on the coldest days, there was only about 3,500 MW of generation running on natural gas. This gap has consistently been recognized as a challenge to electric reliability. And the situation is not going to get better as about 1,800 MW of additional oil and coal generation is expected to retire by 2017, further increasing New England’s reliance on natural gas.

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<sup>1</sup> “Eversource Energy Service 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.

A main feature of this imbalance is the lack of firm transportation rights. New England LDCs hold the vast majority of firm capacity rights on pipelines. In contrast, power generators typically rely on interruptible pipeline capacity and the spot natural gas market to procure supply. During peak winter demand periods, pipelines must prioritize gas deliveries first to firm customers. As evidenced by record high prices, the resulting competition for scarce interruptible pipeline capacity places upward pressure on spot prices for natural gas. This causes regional wholesale electricity prices to soar, because those prices are set by bids from marginal generators, typically gas-fired units. The scarcity of natural gas for power in the winter has resulted in an expectation of severe volatility for the price of natural gas delivered into New England. Access Northeast's design to provide the equivalent of 5,000 MW of firm transportation to power generators will go a long way in helping to alleviate constraints that threaten reliability and create volatility in gas prices.

- 2. Staff needs a non-legal (and perhaps layman's) explanation of how the Energy Reliability Service tariff works. Specifically, is the tariff limited to generators that enter into firm transportation arrangements with Algonquin; does it apply to generators on Maritimes and, if not, why not; will the tariff be implemented by Algonquin/Spectra or by the capacity manager; will the "Customer" in the tariff be a gas generator or an EDC; and, most importantly, what in a nutshell does the tariff offer generators in terms of services that they would not receive absent the ERS tariff and why are those services of value to generators/EDCs? For example, does the ERS tariff offer generators/EDCs more than the ability to receive gas supplies without giving notice to the pipeline on a limited number of winter days for up to two hours a day? If so, describe those additional services and explain why they are important.**

As noted in Answer 1, along with the physical infrastructure, the Energy Reliability Service, Rate Schedule ERS ("ERS"), works in tandem to provide the flexibility that the electric generators desire to accommodate their burn profiles. ERS will be available as part of the transportation/storage services provided under the Algonquin Gas Transmission (AGT) FERC Gas Tariff. This service would extend into Maritimes and Northeast pipeline for service to generators in Maine. ERS is designed to provide two complimentary aspects of service that are most needed by the electric generation market.

The first aspect of the service is the reservation of pipeline transportation capacity. Under the current nomination and scheduling rules for natural gas transportation, there are specific timelines established by the natural gas industry in which parties must abide. At the timely cycle, which is 11:30 am Central on the day before gas flows at 9:00 am Central the next day, parties nominate their specific transportation activities. Pipelines evaluate those activities in aggregate and schedule their pipelines based on the priority of services nominated. If there are potential choke points on a particular pipeline, or as is the case with Algonquin, the pipeline is fully subscribed, a particular activity may not be scheduled at the timely cycle, or any additional nomination cycle that has been established. Under ERS, the primary firm transportation path is held open at the timely scheduling cycle so that ERS can be nominated at or during any successive nomination cycle provided by the pipeline. In this case, Algonquin provides approximately forty-one additional nomination cycles, which exceeds the standards set by the natural gas industry. In essence, the transportation path is available to be nominated 24/7, and as long as supply is confirmed, those activities are able to ramp up or down based on the expected burn profiles.

The second aspect of the service is the ability for a generator to ramp up on short notice. AGT commonly refers to this as the “quick start” aspect of the service. With the transportation space already reserved on the pipeline, this quick start aspect enhances the generator capability to start flowing gas without the commensurate supply being nominated. The generator simply has to notify the pipeline that they will be using the ERS service, and will begin to pull gas off the pipeline. ERS provides a generator with two hours to get the commensurate supply nominated and confirmed to the pipeline. A generator can nominate their upstream supply from any of the primary firm receipt points under their ERS service agreement. If the supply is not nominated, the storage provided by the LNG allows the pipeline to start pulling in supply, if necessary, until the generators supply is nominated, confirmed, and starts to flow within that two hour period.

This service is invaluable to electric generators. Not only will the generator know that they have pipeline space available to them at any point in time during the day or night, but they will also be able to quickly ramp up on a moment’s notice if dispatched by the ISO.

- 3. Staff needs to understand whether and how ICF took into account either the ERS tariff or the proposed LNG facilities when it analyzed the cost savings associated with the Access Northeast project. If so, it would be helpful to have a written description of how the tariff or the facilities affected the cost savings analysis. It would also be useful to have someone from ICF at the Aug 26 meeting to address this and other benefits study related questions.**

While ICF considered the impact of the LNG capability along with the incremental pipeline capacity in its modeling work to project gas price reductions and the resulting cost reductions to consumers, ICF did not explicitly consider the ERS tariff when estimating total cost savings. ICF modeled monthly withdrawals from the additional LNG capability to assess its potential impact on gas supply and potential gas price reductions that could result during peak winter months.

- 4. Regarding July 15 Follow-up Question 3. Provide as requested the daily average gas prices after construction and operation of hypothetical pipeline expansion.**

ICF has not estimated a hypothetical gas price in its analysis. Instead, ICF’s analysis assumes that spikes in natural gas prices are reduced when the assumed infrastructure expansion reduces the combined pipeline load factors to below 75%. On days that the load factor is reduced to that level, ICF’s analysis assumes that power prices revert to the level experienced on a pre-spike day (i.e., the actual electric price that occurred on the day prior to the spike).

- 5. Clarify whether the Access Northeast rate for firm transportation on the Algonquin pipeline will vary by Power Producer Aggregation Area. Also, please clarify whether the Access Northeast rate for firm transportation on Maritimes will differ from the corresponding rate on the Algonquin pipeline.**

The Access Northeast rate for firm transportation is postage stamp – constant for all shippers regardless of path or Power Plant Aggregation Area.

**6. Explain the purpose of an MOU and describe the major provisions without disclosing commercially sensitive information. Also, explain the key differences between an MOU and a PA.**

An MOU is non-binding and demonstrates intent to participate in a project. A PA is binding, more definitive and is subject to conditions precedent.

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

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