

Wholesale Investigation (IR 15-124) Initial NHPUC Staff Questions for Tennessee Gas Pipeline (TGP)
June 15, 2015

Instructions for responses: Please e-mail responses in PDF format to alexander.speidel@puc.nh.gov; responses will be promptly posted to the NHPUC website here:

http://puc.nh.gov/Electric/Investigation_into_Potential_Approaches_to_Mitigate_Wholesale_Electricity_Prices.html

Please give priority to responses to questions in BOLD, to be responded to, if possible, in advance of Staff's June 19, 2015 meeting with Tennessee Gas Pipeline representatives.

General

- 1. The developers of the Access Northeast project propose to make available a total of 0.9 Bcf/day of incremental firm natural gas capacity to affiliated EDCs and LDCs of Eversource Energy and National Grid. Subject to the approval of state regulators, the EDCs will purchase under long-term contracts specific amounts of the available firm gas capacity and then resell that capacity to New England electric generators using competitive auctions that target gas-fired generators. The auction winners are expected to utilize the capacity to access low cost gas supplies particularly during the coldest winter months. Please state how much incremental firm natural gas capacity TGP proposes to make available to New England EDCs and LDCs via the Northeast Energy Direct (NED) pipeline project and identify the EDCs and LDCs that would procure such capacity. Also, please state how much of the available capacity would be targeted to EDCs and explain the process TGP believes should be used to get EDC-purchased capacity into the hands of New England gas-fired generators.**
- 2. What method will TGP use to determine the amount of capacity each EDC should purchase from the NED pipeline?**
3. If TGP supports the use of competitive auctions to resell EDC-purchased capacity, does it believe FERC's capacity release rules allow for pipeline capacity to be targeted to gas-fired generators? Please explain your answer.
4. Regarding capacity auctions, what is TGP's opinion on how often such auctions should be conducted - weekly, monthly or annually? Does TGP expect all gas-fired generators to submit bids for the capacity made available up EDCs? What are the market implications of pipeline projects not covering all gas-fired generators in the region?
5. What is TGP's opinion on the appropriate term of the capacity resold to gas-fired generators – a month, a year, or longer?
6. Under the so-called NESCOE Model, capacity not purchased by gas-fired generators would be released into the secondary market on a recallable basis. In TGP's opinion, is it likely that the released capacity could be purchased by LDCs or sold in markets outside of New England and hence provide little or no value to electric customers? Please explain your answer.
- 7. Will EDC's purchase capacity on the Market Path alone or both the Market and Supply Paths? If the former, has TGP conducted any analyses of the expected difference in price between gas commodity purchased in the Marcellus Shale production area and gas commodity purchased at Wright, NY. If so, please describe the results of such analyses and provide copies.**

8. Explain how the selection of Wright, NY as the receipt point for the NED project enhances the project's value. Has TGP taken into account the potential for gas flows into Wright from other higher cost markets or the possibility that limits on pipeline capacity between the Marcellus production area and Wright could cause the gap between gas prices in Pennsylvania and gas prices at Wright to be wider than expected?
9. How would a precedent agreement between TGP and an EDC to purchase pipeline capacity provide for the delivery of gas to multiple gas-fired generators directly served by the NED pipeline?
10. Assuming New England regulators decided to support two regional pipeline projects, how could that decision be implemented through capacity purchases made by the region's EDCs?
11. Regarding the incremental firm pipeline capacity that TGP would make available to New England EDCs via the NED pipeline project, has TGP conducted any studies to determine whether that capacity will be sufficient to eliminate or significantly reduce the winter basis differential? If yes, please describe the results of such studies, provide copies and specify the amount of incremental pipeline capacity that TGP believes must be constructed to erase the basis differential.
12. How many daily gas supply nominations can EDC holders of NED pipeline capacity make?
13. Please provide all confirmed subscriptions for the NED project and specify the minimum threshold subscription for the project to proceed.
14. Please provide all milestones for the NED pipeline project.
15. Information provided by TGP in the Maine PUC proceeding 2014-00071 indicates that the Supply Path component of the NED project will deliver up to 1 Bcf/d of incremental supply directly to Wright, NY from the Marcellus Shale's production attached to TGP's existing 300 Line in Northeast Pennsylvania. Who will hold the rights to firm capacity on the Supply Path and how will the cost of that pipeline be recovered?
16. How can the developers of the NED pipeline project ensure New England regulators that the pipeline capacity purchased by EDCs will physically reach as many gas-fired generators as possible? That is, will the pipeline capacity purchased by EDCs have delivery points that will directly or indirectly reach all regional gas-fired generators?
17. TGP claimed in the Maine PUC proceeding 2014-00071 that the NED Project would enhance reliability of the gas and electric grids by providing incremental supply to existing generation resources served by TGP and other regional pipelines. Is this claim based on the assumption that the Access Northeast project is not built? That is, would the enhancement in gas and electric system reliability due to the NED project be less valuable if the Access Northeast project goes ahead as proposed? Please explain your answer.
18. Lander for CLF testified in the Maine proceeding that the pipeline expansion projects AIM, Atlantic Bridge and TGP 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 TGP's opinion regarding these claims? Please provide all support for your answer.

19. Did the NED pipeline project complete a binding or non-binding open season? If so, provide copies of binding or non-binding commitments that resulted from such open season. Also provide the open season documents including the draft precedent agreement.
20. Provide copies of all discovery requests served on TGP in the Maine PUC proceeding 2014-00071. Also provide copies of TGP's responses to such requests.
21. It has been suggested by TGP that NED's access to commodity at \$1.7/MMBtu is likely to bring a higher capacity release value to the NED project than Access Northeast. Provide support for this claim?
22. Does the NED project 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 natural gas and export it to other countries?

Questions relating to TGP Initial Comments

- 23. Page 1. TGP states that "the NED pipeline project is an essential and integral part of the preferred solution for resolving New Hampshire's and New England's volatile and high wholesale natural gas and electric prices." Please explain why the high winter period wholesale electricity price problem cannot be solved by the Access Northeast project alone.**
24. Please explain why TGP believes that a change in wholesale market rules to incentivize gas-fired generation to contract for firm pipeline capacity appears unlikely to occur, either in the short- or long-term.
25. Page 3. TGP states that it currently "directly serves a substantial portion of existing installed gas-fired generating capacity in New England that cannot be served by any other pipeline." Please identify each and every New England gas-fired generator directly served by TGP whether or not it can be served by any other pipeline. Identify the gas-fired generators that cannot be served by any other pipeline and explain why.
- 26. Please clarify whether the NED pipeline project will directly serve all New England gas-fired generators that are currently directly served by the TGP system. For those generators that will not be served directly by the NED pipeline project, explain why not. Also, for those generators that will be served directly by the NED pipeline system, explain how the physical connection between the current TGP system and the NED pipeline system will be made? Will the connection take place at Dracut, Massachusetts on the existing 200 Line? If not, please clarify.**
- 27. Will the NED project be able to supply gas-fired generators that are currently directly served by Algonquin or M&N? If so, does TGP intend to offer gas supply services to such generators? Also, will such generators be charged different rates than generators currently directly served by the TGP system?**
- 28. Page 3. TGP claims that the NED pipeline system will have the ability to serve other regional pipelines with low cost natural gas. Does this statement mean that the NED pipeline will have the ability to supplement the gas supplies delivered to other regional pipelines or does it mean the NED pipeline will have the ability to serve gas-fired generators that are currently directly served by those other regional pipelines? If the latter, please clarify whether such service will require the NED pipeline, in all or some cases, to incur additional costs to**

transport gas on the other regional pipelines. Also, would the answers to these questions be the same if the end users directly served by the other regional pipelines were LDCs and LNG export terminals?

29. **If the NED pipeline incurs costs to transport gas to gas-fired generators directly served by other regional pipelines, will those incremental costs be rolled-in with the costs of the NED project and recovered from all NED shippers or will they be recovered only from gas-fired generators directly served by other regional pipelines? Will existing gas-fired generators currently served by the Algonquin and M&N pipelines have primary firm rights to receive gas from TGP under the NED project?**
30. Has TGP performed any studies of the costs to serve gas-fired generators directly served by other regional pipelines? If so, please provide copies.
31. **Page 3. TGP states that and the existing TGP system “has the unique and critical ability to supply generation connected to other interstate pipelines.” Does this statement mean that no other existing New England gas pipeline has the ability to supply generation connected to another pipeline? If yes, please explain. If no, please clarify. Also, will the proposed Access Northeast project have the ability to supply generation connected to the TGP system?**
32. **Page 3. Regarding the statement that the NED project will relieve existing bottlenecks, does that apply to bottlenecks only on the existing TGP system or on TGP and other pipelines including the Algonquin and M&N pipelines?**
33. Page 17. Please provide a copy of the report referenced in footnote 24.
34. **Page 22, footnote 30 states the following: “Note that this pipeline transportation rate [\$1.5/Dth per day] is a proxy for transportation from the Marcellus to New England and is used for illustrative purposes, and does not attempt to reflect the cost of any actual proposed pipeline project.” Please provide TGP’s current estimate of the unit cost of firm transportation on the NED pipeline together with the term of the long-term contract for pipeline capacity.**
35. Page 24. For each gas-fired generator currently located in the Hub area, please provide the name of the pipeline that directly serves it with gas.
36. **Page 27. Is TGP aware of any studies that suggest that the failure to directly or indirectly provide all or most gas-fired generators with firm transportation service could result in wholesale electricity prices continuing to be set at high levels? If so, please provide such studies.**