IR 15-124

October 14, 2015

Alexander F. Speidel, Esq.
Staff Attorney/Hearings Examiner
New Hampshire Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, NH 03301

Re: IR 15-124 Report on Investigation into Potential Approaches to Ameliorate Adverse Wholesale Electricity Market Conditions in New Hampshire

Dear Attorney Speidel,

This docket is titled with an admirable broad-ranging objective, to discover possible ways to improve conditions in the NH wholesale electricity market. However, the staff report of September 15, 2015 focuses almost exclusively on gas pipelines as a solution. This narrow preoccupation with large-scale infrastructure is an antiquated 20th century approach. For 21st century electricity market conditions, it is more appropriate to investigate a diversity of energy sources and delivery methods.

It is disappointing that this report has not investigated the reliably cost-effective market-ameliorating measures recommended in the 2014 NH Ten Year Energy Strategy: energy efficiency, demand management, rate re-design, time of use rates for electricity, and financing for efficient gas furnaces.

The Energy Strategy finds that "Energy efficiency is the cheapest, cleanest, most plentiful energy source." (page 23) New Hampshire lags in tapping into this resource – our state ranks 21st in the nation for energy efficiency, worse than all other New England states. MA, CT, RI, and VT are in the top 10. (Source: ISO-NE Energy Efficiency Forecast 2-21-2014) A thorough investigation into improving the electricity market must include energy efficiency measures.

Please keep this docket open for further investigation of approaches to ameliorating the complex electricity market. As it stands now, the report is limited to recommending the potentially un-legal market interference of a state-sponsored pipeline capacity Request for Proposals (RFP) where the winning pipeline developer's capacity would be allocated among participating electricity distribution companies (EDC) and paid for by electric ratepayers.

It is highly imprudent for NH ratepayers to buy gas pipeline capacity long-term at this time when a range of electricity sources is coming into play. Large-scale hydro, wind, and distributed solar sources all have increasing developments in generation and transmission. Gas is not the only energy source that will replace retiring coal, oil, and nuclear plants.

Please heed the cautionary advice put forward by NH Office of Energy and Planning Director Meredith Hatfield, who quoted in her June 2 comment the New England Energy Council's recent letter to the six New England Governors: "investments in gas infrastructure must be thoroughly analyzed under a number of scenarios and in comparison with clean energy alternatives to ensure that the region is not investing in infrastructure that will put New England on a path away from a clean energy future or lead to 'stranded' investment."

Dan Dolan, president of the New England Power Generators Association (NEPGA) representing 66% of NH electricity producers, pointed out to NHPR's reporter Sam Evans-Brown on Sept 17th that if utilities buy too much space on the pipeline, electric ratepayers are stuck with the bill, saying "I simply think it's a bad deal for consumers and something that could be very costly and very risky."

NEPGA's opposition to a ratepayer-subsidized gas pipeline is well articulated in Attorney Holahan's letter of August 10, 2015. The market interference posed by such a pipeline subsidy conflicts with competitive electricity markets established under RSA 374-F, which are working well. NEPGA members are bringing dual fuel (oil/gas) generating plants online to address the periods of higher winter gas demand. It seems imprudent for NHPUC to proceed with an electricity market-altering proposal that is opposed by most of the electricity producers.

The 9/15/2015 staff report appears to encourage the idea that NH electric ratepayers should subsidize the largest gas pipeline proposed for the state, NED, based on the rather unfounded concept that its large size will result in large savings. (IR 15-124 Report, page 27)

But the historically volatile electric market means that any projected savings are entirely speculative. The more knowable costs of pipeline construction, which is likely to involve cost over-runs when encountering NH bedrock, means that ratepayers risk being stuck with costs that negate the speculatively projected lower gas prices.

The NED pipeline's large size, more than double its demand, poses a further risk to gas prices – that of export. The Maritimes pipeline now bringing gas from Nova Scotia to Dracut has applied to reverse its flow, making NED's terminus in Dracut an export opportunity. Export facilities in Nova Scotia have received permits to build. When domestic consumers have to compete with world market buyers, prices tend to rise. The likelihood of export from NED's pipeline would mean that savings projected in the staff report would vanish.

There is also another risk to ratepayers from subsidizing gas pipelines: stranded costs resulting from regulation of greenhouse gases. Now that PSNH's Bow coal plant is being phased out due in part to its greenhouse gas emissions, ratepayers are stuck with the stranded cost of its scrubber. Ratepayers face a similar risk with these pipeline projects. Researchers are discovering that significant quantities of methane (the chief component of natural gas and a very powerful greenhouse gas) are leaking throughout the gas production, transmission, and distribution systems. Though gas burns cleaner than coal, its climate change effect from chronic methane leakage can be comparable to the emissions from coal.

Susan Chamberlin, of the Office of Consumer Advocate (OCA) wisely cautioned in her August 10, 2015 report against incurring long-term pipeline costs in response to recent short-term electricity price hikes. It is of great concern that Attorney Chamberlin's excellent services to the OCA have been terminated. In the absence of a successor, it would be extremely imprudent to make decisions of such magnitude for utility consumers as this report proposes.

Please encourage NHPUC to make no decision on this docket until the OCA is fully staffed. Please keep this docket open to make a complete investigation of a diversity of approaches to ameliorating the wholesale electricity market, including those recommended by NH Ten Year Energy Strategy. Thank you very much for the opportunity to comment.

Sincerely,

L Fletcher

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cc: Governor Maggie Hassan
NHOEP Director Meredith Hatfield