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October 15, 2015

Debra A. Howland, Executive Director
NH Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, NH 03301

Re: Docket No. IR 15-124, Investigation into Potential Approaches to Ameliorate Adverse Wholesale Electricity Market Conditions in New Hampshire

Dear Ms. Howland:

The purpose of this letter is to provide the Office of Energy and Planning's (OEP) comments on Staff's "Report on Investigation into Potential Approaches to Mitigate Wholesale Electricity Prices," issued on September 15, 2015. We thank you for the opportunity to provide our feedback at this time.

OEP would like to thank the Staff, particularly George McCluskey, for their efforts in this docket. The timeline established in the Order of Notice was ambitious, and Staff met the deadline with professionalism and hard work.

It is possible that the ambitious timeline drives some of the concerns that OEP wishes to note. For example, on pages 36 and 37, in response to suggestions in one particular filing, Staff writes that "it would appear that (Staff's) investigation is missing some obvious parties of interest including but not limited to LDCs, LDC consumers and the Commission's gas division. "Clearly," the report continues, "a proposal of this magnitude and complexity requires far more time and consideration than we have been able to devote to it over the past two weeks." With more time, the Staff might have been more able to engage additional stakeholders, including appropriate colleagues within the agency.

Time constraints may also explain why Staff limited their focus in this investigation to only the approach that they recommend, having electric utilities purchase gas capacity with customer funds, and did not consider other potential resources that might have included energy efficiency, demand response, distributed generation, and investments in emerging technology such as storage, allowing the state to pursue more of an "all-of-the-above" approach to our energy challenges. For example, at the technical session on July 30, Staff explained their view that it was not the PUC staff's role to investigate the full potential for efficiency or demand response, but instead, it was incumbent upon those who support those approaches to make the case for them. OEP disagrees, and as we note below, we believe that the Commission has planning tools available to it that would allow for a thorough review of all options to meet our energy needs.

OEP raised several concerns when this process began, saying that we were “concerned that the schedule does not allow sufficient time for all stakeholders, particularly those with limited resources, to conduct research and formulate proposals in a way to be on equal footing with well-resourced parties. A mere 12 business days are provided to address questions that, in some cases, seek economic analyses that could benefit from modeling and intensive study.”¹

OEP believes that the Staff could have conducted a broader review of potential options to address the region’s energy challenges if they had availed of the Commission’s suggestion that they retain a consultant. For example, the Synapse study cited in their report was commissioned by a state agency to assist with the inordinately complicated issues of pipeline economics. In particular, though the Staff members worked hard to identify in as much detail as possible what the wholesale market implications would be of any particular gas infrastructure proposal, it is not always evidently clear from the report over what period of time those implications would occur and what they would mean for specific rate structures for New Hampshire businesses and families. And no options other than new gas infrastructure are embraced by Staff.

Moreover, the goal of the investigation was to explore what the state should do in response to wholesale market challenges, including volatile and high prices, and OEP is concerned that the report falls short by focusing only on natural gas investments and ignoring the challenges the region faces as our fuel mix becomes less diverse. Investing in more natural gas infrastructure could lead to even more reliance on natural gas. However, increasing reliance on one fuel, namely natural gas, is what caused the wholesale price spikes in the winter of 2013-2014 in the first place.

For example, a few weeks after the Staff released their report, Entergy announced that it plans to retire by 2019 its Pilgrim Nuclear Power Station in Massachusetts, which generates 680 MW of base load power. Though the announcement was a surprise to some, the regional grid operator has long warned that the imminent retirement of New England’s older, non-natural gas plants – including three in New Hampshire– strains their ability to meet New England’s peak electricity demand. Moreover, the ISO frequently points out that our fuel mix is becoming less, not more, diverse.²

By focusing on investments in natural gas, which is the dominant proposed generation coming on line over the next few years³, we may very well inadvertently increase, and even subsidize, even more reliance on one fuel source in our region. This may increase, not decrease, the likelihood of price spikes and volatility in wholesale markets in the near-term if there are disruptions to the supply of that fuel.

OEP also wishes to note again our concerns about this investigation being conducted through one-on-one meetings with individual parties, many of whom are infrastructure project proponents and investors, rather than conducting an open, public stakeholder process to consider the issues in this investigation through a collaborative, facilitated process. OEP is also disappointed that Staff declined to follow through on its commitment, made during the stakeholder discussion on May 12, and memorialized in its May 14 letter⁴ to Executive Director Debra Howland, to take and disseminate minutes of those discussions. While OEP appreciates that the interrogatories and

¹ <http://puc.nh.gov/Electric/Wholesale%20Investigation/IR%2015-124%20OEP%20Comments%2006-02-15.pdf>

² http://www.iso-ne.com/static-assets/documents/2015/02/2015_reo.pdf

³ <http://www.iso-ne.com/about/what-we-do/key-stats/resource-mix>

⁴ <http://puc.nh.gov/Electric/Wholesale%20Investigation/Wholesale%20Investigation%20Staff%20Letter%20to%20Interested%20Stakeholders.PDF>.

disseminate minutes of those discussions. While OEP appreciates that the interrogatories and responses are posted on the Commission's website, we had hoped for a more open and robust discussion of the challenges and opportunities raised in the Commission's Order of Notice, which could include discussions about how these issues relate to other open dockets including the Energy Efficiency Resource Standard (EERS), the Grid Modernization docket, and pending planning dockets filed by electric and gas utilities. OEP believes that it is important that the Commission consider these important issues holistically and in an integrated manner in order to ensure the most cost effective outcome for all customers that is consistent with the State's other policy goals.

In sum, OEP respectfully requests that the Commission's review of Staff's report in this investigation be considered in a broad context. The Commission has many planning tools available, including the requirement for all utilities to develop a Least Cost Integrated Resource Plan (LCIRP) consistent with RSA 378:38 *et seq.* We suggest that if electric utilities wish to purchase gas capacity funded by electric ratepayers, such a proposal should first be considered in the context of a LCIRP docket so that it can be analyzed with other options, including increasing investments in cost effective efficiency, demand response, and distributed generation. Only after that type of analysis should an electric utility file a proposal purchase gas capacity using electric ratepayer funds.

OEP again thanks the Commission and its Staff for this opportunity to comment.

Respectfully,



Meredith A. Hatfield
Director

cc: IR 15-124 Service List