STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DE 16-241

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE d/b/a EVERSOURCE ENERGY

Petition for Approval of Gas Capacity Contract with Algonquin Gas Transmission, LLC, Gas Capacity Program Details, and Distribution Rate Tariff for Cost Recovery

PETITION TO INTERVENE OF COALITION TO LOWER ENERGY COSTS

Introduction and Background:

On February 18, 2016, Eversource Energy ("Eversource") filed its "*Petition for Approval of Gas Infrastructure Contract between Public Service Company of New Hampshire d/b/a Eversource Energy and Algonquin Gas Transmission, LLC*" ("Eversource Petition") in Docket DE 16-241. Eversource seeks approval of a Precedent Agreement for firm gas transportation and storage services between Eversource and Algonquin Gas Transmission, LLC on the proposed Access Northeast project ("ANE Project"), owned 40% by Spectra Energy, 40% by Eversource, and 20% by National Grid.

Specifically, Eversource seeks approval of contracts on the ANE Project for 37,000 MMBtu/d of pipeline capacity and 29,600 MMBtu/d of LNG storage withdrawal capacity. These quantities represent Eversource's New Hampshire load share of the ANE project, which is alleged to provide 900,000 MMBtu/d of natural gas transportation and storage deliverability comprised of: (1) a 500,000 MMBtu/d expansion of the Algonquin Pipeline; and (2) a 400,000 MMBtu/d liquefied natural gas ("LNG") storage facility in Acushnet, Massachusetts. The pipeline expansion portion of the ANE Project is proposed to be operational in three annual phases beginning in 2018, with 500,000 MMBtu/d of incremental pipeline capacity eventually available in 2020. The LNG portion of the ANE Project is proposed to provide 6,400,000 MMBtu of LNG storage in 2021, with withdrawal capacity of 400,000 MMBtu/d and liquefaction capability of up to 54,000 MMBtu/d. Assuming, under a best case but unlikely scenario in 2021, that natural gas is liquefied during the winter at the claimed rate of 54,000 MMBtu/d simultaneous to LNG being vaporized and withdrawn at the claimed rate of 400,000 MMBtu/d, the LNG component of the ANE Project would provide about 18 days' worth of natural gas supply. Thus, the ANE Project would provide 900,000 MMBtu/d of transportation and storage deliverability for at best 18 days' beginning in 2021 and 500,000 MMBtu/d of year-round transportation deliverability after 2020.

On March 3, 2016, the New Hampshire Public Utilities Commission ("Commission") issued an Order of Notice ("Notice") on the Eversource Petition setting forth the parameters of a two-phase proceeding through which the Commission would first determine the legality of Eversource's proposed contracts, and if determined to be legal, proceed to examine the appropriate economic, engineering, environmental, cost recovery, and other factors presented by them. Notice at 4. The Notice highlights several issues raised by the Eversource Petition, including:

> whether Eversource has the corporate authority to enter into the Access Northeast Contract under RSA Chapter 374-A and RSA 374:57; whether Eversource' s entering into the Access Northeast Contract, development of the ERSP, and assessment of the LGTSC would violate the Restructuring Principles of RSA Chapter 374-F, or any other New Hampshire law, or any federal law, including the Federal Power Act; whether the LGTSC assessment would be permitted under RSA Chapter 374-A, RSA 374:57, and RSA Chapter 378, and Commission precedential standards for ratemaking, as just, reasonable and in the public interest; whether the RFP process presented by Eversource in support of its selection of the Access Northeast Contract comports with the requirements of N.H. Code Admin. Rules Puc 2100, Order No. 25,860, and the standards of prudency applied by the Commission for such contracting; whether the assertions made by Eversource regarding expected benefits and costs of its participation in the Access Northeast Contract are supported by the evidence, including evidence of economic, engineering, and environmental costs, benefits, and feasibility; and whether

> ERSP and companion FERC tariff filing comport with relevant federal law, including the Natural Gas Act, and whether FERC approval should be a condition precedent for the enactment of any Commission approval.

Notice at 3-4. The Notice also states that "consistent with N.H. Code Admin. Rules Puc 203.17 and Puc 203.02, any party seeking to intervene in the proceeding shall submit ... such Petition stating the facts demonstrating how its rights, duties, privileges, immunities or other substantial interest may be affected by the proceeding, as required by N.H. Code Admin. Rule Puc 203.17 and RSA 541-A:32,I(b)[.]" Notice at 5.

Coalition to Lower Energy Costs ("CLEC") hereby petitions the Commission for mandatory intervention and sets forth the following "facts demonstrating that the petitioner's rights, duties, privileges, immunities or other substantial interests may be affected by the proceeding" and that "the interests of justice and the orderly and prompt conduct of the proceedings would not be impaired by allowing the intervention." RSA 541-A:32, I; N.H. Admin. Rules Puc 203.17. Alternatively, CLEC petitions the Commission for discretionary intervention and sets forth the following facts demonstrating that granting "such intervention would be in the interests of justice and would not impair the orderly and prompt conduct of the proceedings." RSA 541-A:32, II.

CLEC's Substantial Interests Will Be Affected by the Proceeding and the Interests of Justice and Orderly and Prompt Conduct of the Proceeding Would Not Be Impaired by CLEC's Intervention.

1. CLEC is a non-profit, incorporated association of industrial and commercial energy consumers, labor unions, and institutions seeking to eliminate the harm to New England's economy of the highest, and potentially increasing, natural gas and electricity prices in the nation. CLEC is the only New England-wide consumer group formed to help protect the interests of consumers in reliable, reasonably priced energy. While CLEC was formed to end the energy

cost crisis facing New England, CLEC's mission is to do so through a sustainable energy portfolio that includes, and increasingly relies on, efficiency, demand response, and renewable energy such as wind, solar, and hydro. CLEC's energy specifically strategy relies on expanding natural gas pipeline capacity as the foundation for lowering energy costs, displacing coal and oil, decreasing emissions, increasing use of renewable energy, and eventually electrifying the heating and transportation sectors with a clean, reliable, and affordable electric mix.

2. CLEC has a principal place of business at 60 State Street, Boston, Massachusetts. Bobbi Kates-Garnick, a former Massachusetts D.P.U. Commissioner, is Senior Energy Policy Advisor to CLEC. CLEC was formed specifically to address the cost and price volatility effects of natural gas pipeline constraints into New England through a consumer lens, as recognized by the Commission in the Order of Notice in IR 15-124.

3. CLEC's growing membership includes many large electricity users across New England, including in New Hampshire: Gorham Paper Tissue LLC (NH); Loon Mountain (NH); Mount Sunapee (NH); North Country Tractor, Inc. (NH); Universal Drywall, Inc. (NH); Eastern Pipe Service, LLC (NH); Marceau Real Estate Investments, LLC (NH); Felix Septic Service, Inc. (NH); Optimum Building Systems & Management, Inc. (NH); J-Pac, LLC dba J-Pac Medical (NH); Kitchen Klean Inc. (NH); Plumbers and Steamfitters Local Union 131 (NH); Erving Industries, Inc. (MA); Industrial Energy Consumer Group (ME with members throughout New England); the Fall River Chamber of Commerce (MA); Cummings Properties (MA); Guillow's (MA); the Massachusetts Restaurant Association (MA); Impact Power Technologies, LLC (MA); Cambridge Electric Motor Services (MA); IBC Corporation (MA); Precix Inc. (MA); and others.

4. Gorham Paper and Tissue LLC ("Gorham") is a particularly large consumer of electricity

and natural gas within the service territory of PSNH. Gorham used over 61,000 MWhs of electricity and around 400,000 dekatherms of natural gas annually in 2014 and 2015. These high energy requirements occurred despite substantial efforts and expenditures by Gorham to improve efficiency and conserve resources, burdening Gorham's business in the national and global paper products industry. Due to extremely high natural gas and electricity prices in 2014, Gorham was required to significantly curtail its operations by shutting down several paper lines and laying off between 30 and 50 employees. Still a large employer in the North Country, Gorham individually, and by and through CLEC, seeks to stabilize and reduce its costs of electricity and natural gas through the construction of adequate natural gas pipeline capacity.

5. Loon Mountain ("Loon") in Lincoln, New Hampshire is a large electricity consumer affected particularly by winter prices spikes due to its consumption pattern. Unlike most electricity consumers, Loon uses the vast majority of its power during the winter for snow-making and lift operations. With snowmaking coverage on 99% of its 61 trails, spanning 322 acres, and 12 chair lifts, Loon relies heavily on electricity to power its air compressors and pumps used to move water and people uphill. When Loon most needs to make snow, in recent years electricity prices have reached record levels. Loon and Mountain Sunapee, described below, exemplify the consumer victims of high and volatile winter energy prices which prompted IR 15-124. In order to continue to sustainably operate as a family ski resort, Loon individually, and by and through CLEC, seeks to stabilize and reduce the cost of its electricity through the construction of adequate natural gas pipeline capacity.

6. Mount Sunapee in Newbury, New Hampshire is another large electricity consumer particularly impacted by winter price spikes due to its snowmaking and lift operations. With snowmaking coverage on 97% of 66 trails, spanning 233 acres, and 10 lifts, Mount Sunapee

extensively uses electricity when it is most expensive in New England due to pipeline constraints. In order to continue to sustainably operate as a family ski resort, Mount Sunapee individually, and by and through CLEC, seeks to stabilize and reduce the cost of its electricity through the construction of adequate natural gas pipeline capacity.

7. Commercial businesses operating in New Hampshire negatively affected by high and volatile natural gas and electricity prices include the following: (1) North Country Tractor, Inc., a retailer of John Deere equipment at four locations in Sanford, Maine and Dover, Ossipee, and Pembroke, New Hampshire; (2) Eastern Pipe Service, LLC, a provider of pipeline services throughout New England headquartered in central New Hampshire; (3) Marceau Real Estate Investments, LLC, a construction and land development company based in Bow, New Hampshire; (4) Felix Septic Service, Inc., a septic services company operating within the residential and commercial sectors throughout New Hampshire and parts of Massachusetts; (5) Optimum Building Systems & Management, Inc., a premier provider of open shop drywall management based in Litchfield, New Hampshire; (6) J-Pac Medical, a company that develops medical products, processes, and packaging solutions and does custom manufacturing, including at its 60,000 square foot manufacturing facility in Somersworth, New Hampshire; and (7) Kitchen Klean Inc., a hood, duct, and HVAC systems cleaning company based in Epsom, New Hampshire that serves all of New England. Each of these companies struggles with the high cost of electricity in New Hampshire and seeks to stabilize and reduce its costs of electricity through the construction of adequate natural gas pipeline capacity.

8. Like Gorham, Loon, and Mount Sunapee, many CLEC members operate energy-intensive businesses that consume electricity and natural gas *within* the unconstrained markets for natural gas and wholesale electricity in New England. That is, once natural gas is transported

to New England, or electricity is generated within New England, natural gas and electricity can flow relatively unconstrained to most areas. High intra-region costs for electricity and natural gas burden all consumers of electricity in New England, including those in New Hampshire. However, CLEC members compete not only against other New England-based businesses, but against businesses in regional, national, and international markets where energy prices are substantially lower. This disadvantage is unique to New England businesses, including those in New Hampshire.

9. CLEC's members, such as Gorham, Loon, and Mount Sunapee, are increasingly forced to make triage-like decisions around shutting down, suspending operations, migrating to other locations, or investing elsewhere on the basis of needlessly high energy costs. By paying significantly more for gas and electricity than all other regions of the nation and many areas of the world, CLEC's members suffer an enormous competitive disadvantage.

10. CLEC, by and through its members, has a substantial interest in ensuring that adequate natural gas pipeline capacity is constructed primarily *into*, and also within, New England such that the energy cost burden imposed on its members relative to other regions of the nation and world is significantly alleviated. The Commission's proceeding is one piece of a regional puzzle, being pieced together by the states on a state-by-state basis, to ensure that natural gas pipeline capacity is expanded in an amount "sufficient" to reliably and cost effectively meet the needs of New England's natural gas-fired generators and gas utilities. "Sufficient" incremental pipeline capacity will eliminate the energy price spikes afflicting New England's electricity and natural gas consumers and harming the environment. The outcome of DE 16-241, along with the various related proceedings in other New England states, may determine the amount, nature, and timing of incremental pipeline capacity that is constructed into and within New England,

such that it is "sufficient."

11. CLEC, by and through its members, has regionally advocated for a two-pipeline solution to New England's energy crisis that would result in an approximate incremental 2 billion cubic feet per day (Bcf/d) of pipeline capacity. CLEC has expressed support for both the ANE Project and Kinder Morgan/Tennessee Gas Pipeline Company, L.L.C.'s Northeast Energy Direct Project ("NED Project"). CLEC's support of both the ANE Project and NED Project is unique and has been informed by the economic modelling and analysis of Competitive Energy Services, which has determined that approximately 2 Bcf/d would substantially eliminate the natural gas basis differential caused by pipeline constraints and which has driven up wholesale electricity costs by over $7 billion in the past few winters. CLEC has provided state-specific modelling results in New Hampshire (IR 15-124), as well as in Massachusetts (D.P.U. 15-37). CLEC is prepared to offer additional testimony by Competitive Energy Services in this proceeding, including modelling results and analysis. The expertise offered by Competitive Energy Services will aid rather than impair this proceeding by addressing the adequacy of Eversource's proposal for New Hampshire based on the regional dynamic taking shape in the various concurrent New England state proceedings.

12. Based on the proceedings underway in Massachusetts, and given that Massachusetts is responsible for just under half of New England's electric load, it appears that the New England states, including New Hampshire, must choose between one of two competing approaches to expanding pipeline capacity. In docket 15-181, Eversource has proposed contracts in proportion to its load-ratio share of only .9 Bcf/d and exclusively with the project in which it has a 40% ownership stake, the ANE Project. National Grid has taken a different approach, proposing contracts according to its load-ratio share of 1.4 Bcf/d on both the ANE Project (.9 Bcf/d) in

docket 16-05 and the NED Project (.5 Bcf/d) in docket 16-07. National Grid's two-pipeline approach, which would regionally result in 1.4 Bcf/d of EDC subscriptions, combined with the fact that the NED Project already has about .55 Bcf/d of gas utility subscriptions, is substantially consistent with CLEC's "2 pipeline and 2 Bcf/d" solution. Eversource's approach creates the inherent risk that the NED Project will not be developed if it has only gas utility subscriptions, and thus that New England will only expand its combined pipeline and LNG storage capacity by .9 Bcf/d. Additionally, while the NED Project is proposed to come online in 2018, the ANE Project is slated to come online in 4 annual phases, with the LNG phase not being operational until 2021. CLEC believes the Eversource proposal raises significant concerns regarding the nature, amount, and timing of natural gas deliverability needed by New England, as well as issues regarding self-dealing and lack of transparency.

13. CLEC's prior participation in IR 15-124, as well as in other state proceedings, demonstrates that allowing CLEC to intervene would not impair the interests of justice or orderly and prompt conduct of this proceeding. As noted above, CLEC has substantial expertise to bring to bear in this proceeding, which will serve to more fully inform the Commission, create a more robust record, and help to ensure that decisions that are in the public interest. In that regard, CLEC has sponsored economic modelling of the electric market and is prepared to update model results to reflect to specific impacts of Eversource's proposal. Further, based on reviewing and synthesizing myriad independent studies, CLEC has proposed a unique and far-sighted energy strategy for New England that relies on expanding natural gas pipeline capacity as the foundation to lower energy costs, displace coal and oil, decrease emissions, increase reliance on renewable energy, and eventually electrify the heating and transportation sectors with a clean, reliable, and affordable electric mix. CLEC has concluded that, if adequate gas pipeline capacity is built to

meet New England's heating and current power needs, New England's reliance on natural gas for electric energy will decrease. This decrease in usage will, in turn, create gains that will accrue to consumers from stable and low natural gas prices. These consumer gains will enable and encourage investments in efficiency and renewable energy.

14. CLEC has also performed unique analysis related to the emissions and economic impacts of maintaining inadequate pipeline capacity into and within New England, including from the consequent reversion to coal, oil, and LNG for electricity during the winter and by remaining the most oil-dependent region of the country for heating. Moreover, unlike groups that simply assume New England <u>can</u> meet its renewable energy and climate goals because there is near unanimous agreement that it <u>should</u>, CLEC has analyzed the vital role of expanded pipeline capacity in physically and cost-effectively integrating increasing amounts of intermittent renewable energy through utilizing the flexibility of region's existing natural gas-fired generators.

15. Allowing CLEC to intervene would not impair the interests of justice or orderly and prompt conduct of this proceeding because CLEC's perspective is unique and beneficial to the Commission. To date, CLEC has been the only consumer group supportive of increased pipeline capacity throughout New England. Other consumer groups, including those in New Hampshire, may have discreet interests in lowering energy costs within their respective states, but may be less aware of and informed about the regional dynamic shaped through state-by-state proceedings or RFPs ongoing in Maine, Massachusetts, New Hampshire, and Connecticut, and soon to be initiated in Rhode Island. Through the policy leadership of Bobbi Kates-Garnick, CLEC has uniquely positioned itself to be a regional advocacy group that is active on a state-by-state basis. CLEC understands that each state, including New Hampshire, has a particular role to

play the development of a regional solution that will serve to affect New England's wholesale electric market. Retail electricity costs, including in New Hampshire, will only be lowered pursuant to the actions taken to affect the wholesale electric market. Though New Hampshire represents a relatively small percentage of New England electricity demand, this proceeding is critical to consumers in all New England states who are affected by unsustainable wholesale market conditions and who are relying on each state to act sufficiently. Unlike in other New England states, Eversource in New Hampshire has proposed the only solution, a solution which is based solely on the project of which Eversource is a 40% owner and which CLEC believes maybe insufficient in terms of its nature, quantity, and timing.

Allowing CLEC's Intervention Would Be in the Interests of Justice and Would Not Impair the Orderly and Prompt Conduct of the Proceedings.

16. The reasons stated above supporting CLEC's mandatory intervention also support CLEC's discretionary intervention. Allowing CLEC's intervention in this proceeding would be in the interests of justice and would not impair the orderly and prompt conduct of the proceeding.

17. The interests of justice dictate that CLEC be allowed to participate fully in the proceeding. No other consumer organization has advocated, and supported its advocacy, for a 2 pipeline and 2 Bcf/d solution—nearly the exact solution that New England would achieve if each state followed National Grid's approach. The risk to New Hampshire ratepayers of following Eversource's strategy is that insufficient action will be taken to affect the wholesale electric market, and thus relatively high and higher than necessary electricity and natural gas prices will persist in New Hampshire. The insufficiency of Eversource's strategy relates to the total amount of capacity that may be constructed and the nature and timing of its availability. By participating fully in this proceeding, CLEC would not seek to delay or limit action by Eversource, but only to shape Eversource's action to ensure it is in the public interest by, for example, filing evidence

demonstrating that Eversource has placed undue emphasis on natural gas capacity *within* New England as opposed to *into* New England and that potential self-dealing may benefit Eversource at the expense of New Hampshire ratepayers.

18. While CLEC believes its substantial interest in the proceeding is unique, along with its particular expertise regarding a regional solution, CLEC is amenable to coordinating with other potential parties to the proceeding to increase administrative efficiency to the extent that CLEC's interests partially coincide with the interests of other parties.

WHEREFORE: For the reasons stated above, CLEC's intervention in this proceeding would be in the interests of justice and would not impair the orderly and prompt conduct of the proceeding. Accordingly:

(1) CLEC respectfully request that CLEC be permitted to intervene in this proceeding with full party status; and

(2) The Commission order such additional necessary and appropriate relief in connection with this petition to intervene.

Respectfully Submitted,

FOR

Date: 4/11/16

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