June 12, 2015

Mark D. Marini
Secretary
Department of Public Utilities
One South Station-5th Floor
Boston, MA 02110

RE: Comments regarding Docket # D.P.U. 15-37

Dear Secretary Marini:

The Northeast Municipal Gas Pipeline Coalition (NMGPC) is an organization of municipal leaders from the northeast region of Massachusetts, as well as the Town of Brookline, NH. The Coalition formed and has been meeting for well over a year after public concern was raised within our communities about the proposed Kinder Morgan/Tennessee Gas natural gas pipeline. The Coalition meetings have included presentations to educate municipal leaders in understanding the process involved with permitting a natural gas pipeline, as well as to have open discussions on issues raised within our communities, including the proposal of a “cost recovery” burden on all electric ratepayers in New England to fund new gas infrastructure. As quoted in the May 17, 2015 Lowell Sun, "Massachusetts utilities regulators are considering a controversial proposal that would allow electric companies to sign contracts subsidizing pipeline construction and pass the cost onto ratepayers". Further details of this “controversial proposal” are included in the attached article.

In August 2014, the New England State Committee on Electricity (NESCOE) announced it was delaying actions to propose a tariff to force electric customers to pay for a new natural gas pipeline. This proposal was brought to light by the Conservation Law Foundation (CLF) who requested that flawed proposals of this nature be brought into the open instead of being discussed entirely behind closed doors. This tariff would have impacted every electric ratepayer in New England. CLF requested that future discussions for this proposal take part in an open, transparent process thereby allowing all stakeholders to participate in the discussions and negotiations. Once again, there are discussions taking place behind closed doors about how electric ratepayers can not only fund, but also assume all of the risk of the construction of natural gas pipelines. Most recently discussions were held in a closed-door meeting of the New England Governors in Hartford, CT.

Currently, the Baker administration has instructed the Department of Energy Resources (DOER), via DPU Docket 15-37, to investigate “cost recovery” for electric distribution companies (EDCs) of increased gas capacity. Why should electric ratepayers fund proposed projects for private billion dollar for-profit companies to bring in infrastructure that, according to former CLF VP Jonathan Peress, would derail our efforts to meet the State’s climate laws? Peress has questioned, on more than one occasion, whether this infrastructure will meet the needs of the rapidly changing electric grid, which could mean the construction of infrastructure that is outdated in the near future that ratepayers have funded.
As leaders in our communities, we strongly disagree with any proposal that would introduce a surcharge on our electric ratepayers and shift the burden of risk from the for-profit corporations onto our citizens. Electric ratepayers throughout New England should be given the opportunity to provide comment on any surcharge on their electric bills through a transparent process open to all.

We appreciate your time in considering this letter and we ask for your support in denying any proposal to introduce a tariff that would pay for natural gas infrastructure at the cost of electric ratepayers throughout New England.

Sincerely,

Stuart Schulman  
Co-Chair

Stephen C. Themelis  
Co-Chair

attachment

Cc: U.S. Senator Elizabeth Warren  
U.S. Senator Edward J. Markey  
Congresswoman Nicola S. Tsongas  
Congressman Seth Moulton  
Governor Charlie Baker  
Attorney General Maura Healey  
Secretary Matthew A. Beaton, EOEEA  
Senator Barbara L’Italien  
Senator Anne M. Gobi  
Senator Eileen M. Donoghue  
Senator Bruce E. Tarr  
Senator Jennifer L. Flanagan  
Senator Joan B. Lovely  
Senator James B. Eldridge  
Representative James Arciero  
Representative James R. Miceli  
Representative Theodore C. Spieliotis  
Representative James J. Lyons  
Representative Sheila C. Harrington  
Representative Bradley H. Jones, Jr.  
Representative Leah Cole  
Representative Kenneth I. Gordon
Proposal lets electric firms join pipelines

Would allow new partnerships to support natural-gas projects

By Todd Feathers, tfeathers@lowellsun.com
Updated: 05/17/2015 06:35:51 AM EDT

Faced with some of the highest energy prices in the country, Massachusetts utilities regulators are considering a controversial proposal that would allow electric companies to sign contracts subsidizing pipeline construction and pass the cost onto ratepayers.

Electric companies cannot currently charge customers to recover the cost of contracts with natural gas pipelines, giving them little incentive to sign onto the projects. But if the Department of Public Utilities approves the proposal, it would pave the way for electric utilities to purchase capacity on pipelines, creating a coveted new group of partners for companies like Kinder Morgan and Spectra Energy, both of which need to secure buyers in order to build pipelines in the state.

State officials and many analysts say the measure would benefit consumers, because the increased natural-gas supply will drive electricity and gas prices down, offsetting any costs associated with the contracts that ratepayers must shoulder.

"While there is no precedent in Massachusetts for an electric company to contract for gas capacity, utility companies often make long-term commitments to save costs for ratepayers," said Peter Lorenz, a spokesman for the Department of Energy Resources, in a statement. DOER proposed the change.

In its proposal, DOER said the new system would have to include a consumer protection mechanism to ensure that households will actually see lower energy bills if their electricity supplier plans to charge them a tariff for a pipeline contract.

The DPU's review of the proposal began April 27 and remains in its infancy.

But some consumer advocacy and environmental groups, such as the Conservation Law Foundation, are expressing concern.

"The CLF sees these subsidies being covered by ratepayers as more likely than not bad for consumers," said Caitlin Peale Sloan, a CLF attorney.

The proposal could, however, have a hidden benefit for opponents of the Kinder Morgan pipeline, which would run through parts of western Massachusetts and southern New Hampshire, and end in Dracut. Peale Sloan said some of Kinder Morgan's competition, specifically Spectra
Energy's smaller Atlantic Bridge pipeline, is better positioned to take advantage of ratepayer subsidies because it is earlier in the application process.

Unlike a gas station that sells fuel to anybody with an empty tank and a credit card, pipelines rely on buyers who sign deals that can span decades. A company that supplies natural gas to heat homes, for instance, might sign a contract, or "subscribe," for a portion of the pipeline's capacity in order to guarantee access to a certain amount of natural gas, even if the company doesn't always use it all.

The pipeline companies must convince the Federal Energy Regulatory Commission that there is long-term demand for their projects.

"People will not build new pipelines unless they're, if not fully subscribed, at least substantially subscribed," said Robert Burns, an energy-industry consultant and former Ohio State University researcher.

Neither the Kinder Morgan or Spectra Energy pipelines appear to be fully subscribed at this point, according to the companies' most recent FERC filings. In part, this is because power-plant operators in the region are reluctant to commit to the kind of long-term contracts pipelines want.

Each day, generating companies that own power plants put forth the price for which they will sell electricity the next day. The grid operator, ISO New England, chooses the plants that posted the lowest prices, and those facilities generate the power for electric companies like National Grid or Eversource Energy.

The generating companies fear that entering into long-term contracts with pipelines would limit their flexibility, increase their costs, and therefore their prices, and make them less competitive in the daily market, said Peter Flynn, a public-utilities consultant and former senior vice president for National Grid.

"If they were to enter into contracts to pay for the pipelines themselves, they wouldn't be able to recover the cost," he said. And without those contracts, the pipelines might never be built.

Which is where DOER's proposal comes into play. If it is approved, the electric companies that purchase capacity on pipelines will never see a therm of the natural gas they pay for.

Rather, the electric companies will sell the gas to power plants, which will use it to generate electricity, and then sell the electricity back to the distributors.

During the winter months, when demand for natural gas is high, the system would ensure enough fuel to go around and drive down energy prices, proponents say.

But when the demand for natural gas is less than the capacity electric companies have purchased, the companies would be able to recoup their losses by passing them onto ratepayers.
Under DOER's proposal, electric distributors would have to prove to the Department of Public Utilities that their deals will cause electricity prices to go down and that customers will see net savings.

"The mechanism for ensuring that has to be worked out," said Jerrold Oppenheim, an attorney with the Low-Income Weatherization and Fuel Assistance Program Network. But "regulation has done that kind of thing for over a century, so I don't think it's that hard to do."

Depending on the length of the deals, it may be difficult for regulators to be certain customers will benefit over the entire lifetime of a contract, according to Burns.

"Natural gas is the most volatile of the fuel types, as far as the price of the fuel," he said.

The DPU review will likely take months, as stakeholders from National Grid to the Attorney General's Office hire experts and prepare formal arguments.

Because the legal foundation for DOER's proposal has not been tested, even if DPU approves the new system it would likely be appealed and litigated, Oppenheim and Peale Sloan said. After that, it could still be years before any pipelines are operational.

In the energy market, the consultants said, it is hard to predict just how strong the demand for natural gas may be at that point.

"We're the first region that's really facing this issue, that's really had the gas generation outpace the pipeline capacity that's already in place," Flynn said. "New England is confronting it first."

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http://www.lowellsun.com/todaysheadlines/ci_28133894/proposal-lets-electric-firms-join-pipelines#ixzz3crXHcMzA