

Vincent DeVito*
MA: +1 617-757-6518
DC: +1 202-329-4070
NY: +1 646-580-0120
Fax: +1 508-929-3019
vdevito@bowditch.com

January 20, 2015

ELECTRONICALLY FILED ON JANUARY 20, 2014

Harry Lanphear, Administrative Director
Maine Public Utilities Commission
State House Station 18
242 State Street
Augusta, ME 04333

***Re: The Commission's Investigation of Parameters for Exercising
Authority Pursuant to Maine Energy Cost Reduction Act, 35-A
M.R.S.A. Section 1901 Docket No. 2014-00071***

THIS IS A VIRTUAL DUPLICATE OF THE ORIGINAL HARDCOPY SUBMITTED TO
THE COMMISSION IN ACCORDANCE WITH ITS ELECTRONIC FILING
INSTRUCTIONS

Dear Mr. Lanphear:

On behalf of Northeast Energy Solutions ("NEES"), please find NEES' Comments to
Energy Cost Reduction Contract Proposals. Thank you.

Sincerely,



Vincent DeVito

VD:ces
Enclosures

cc: Service to Active Party List via MPUC e-notification

*Bar Admissions: District of Columbia - Commonwealth of Massachusetts - State of New York
{Client Files/BUS/308841/0004/COR/B0511961.DOCX;1}

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**STATE OF MAINE
PUBLIC UTILITIES COMMISSION**

PUBLIC UTILITIES COMMISSION
Investigation of Parameters for Exercising
Authority Pursuant to the Maine Energy
Cost Reduction Act, 35-A M.R.S. § 1901
Docket No. 2014-00071

NORTHEAST ENERGY
SOLUTIONS' COMMENTS ON
ENERGY COST REDUCTION
CONTRACT PROPOSALS

INTRODUCTION

Northeast Energy Solutions (“NEES”) submits these Comments to the Energy Cost Reduction Contract proposals (the “Proposals”) submitted or supplemented in response to the Commission’s Phase 1 Order dated November 13, 2014. Rather than critique the deficiencies of each proposal submitted, NEES believes that it will be more helpful to the Commission if we identify deficiencies common among the Proposals; and, to assist in addressing high energy costs, itemize queries for the Commission to use during the expected negotiations.¹ In general,

¹ In addition to its general comments, NEES has two specific items from the Proposals to highlight, as follows:

- a) Portland Natural Gas Transmission System (“PNGTS”) has presented an option that seemingly minimizes new construction and maximizes existing infrastructure by increasing operating pressure within its existing network. If this is a potential solution that can be accomplished without any new construction, NEES may be supportive of a PNGTS project that does achieve the goals of the Act. For NEES to be supportive of increasing operating pressure, as a solution, the results of this Investigation, in addition to other information, would need to be evaluated.
- b) Tennessee Gas Pipeline Company, LLC’s (“TGP”) presentation includes a Boston Globe poll and states, along with that citation: “A recent Boston Globe poll indicates that the NED Project has broad support from the citizens of Massachusetts.” For purposes of clarification, TGP’s statement is inaccurate. The August 2014 poll surveyed on the *expansion* of a pipeline, not construction (emphasis added). Further, the poll was project generic and did not directly reference the NED Project as TGP indicates to the Commission.

NEES believes that the Proposals have accurately summarized the current market in Maine and, to a degree, New England; however, they have failed to recognize or offer that a regional solution, as opposed to an individual Energy Cost Reduction Contract (“ECRC”), is the correct path forward.

SUMMARY

Succinctly, none of the Proposals has submitted sufficient information for the Commission to determine whether anything, other than speculative benefits, will be delivered to consumers under an ECRC. This is peculiar because such is the mandate primarily proffered by the Maine Energy Cost Reduction Act, 35-A M.R.S. § 1901 et seq (the “Act”), the focus of this Investigation.

DISCUSSION

Just over a year ago, the Act became law; and the advent of the ECRC can be partially attributed to last year’s very low temperatures when spot natural gas prices spiked. That weather event and resultant price spike triggered calls for increased capacity. However, the issues at hand, as recognized by the Commission in this Investigation, are numerous and additional capacity is not the be all and end all. The Northeast’s regional gas market is generally well supplied throughout the year and the region’s capacity use is, for the most part, actually underutilized. This dynamic gives rise to an economic scenario in which it is sensible for larger power generators to engage spot market pricing. Generally, the spot market pricing is low. Naturally, this scenario does not work during cold weather when demand increases along with

the spot market pricing. As such, this Investigation and each Proposal should also include an analysis of potential cost-recovery mechanisms for generators to acquire peak capacity in advance. So, even though the Act, with some direction and restrictions, provides the Commission with authority to execute an ECRC through 2018, it does not mandate an ECRC. Importantly, the Act requires alternatives to be exercised before an ECRC is executed.

It is apparent to NEES that the Proposals do not adequately allow for the Commission to pursue market and rule changes that could reduce the basis differential cost and increase the efficiency with which gas is delivered and used. Further, the Proposals do not adequately allow for or attempt to assist the Commission to make a determination that market or rule changes can achieve comparable cost reduction. Moreover, the Proposals do not adequately help the Commission determine how an ECRC project, as opposed to a private transaction, could achieve, in a comparable duration, similar cost reductions for Maine electricity and gas customers.² More to point, the Proposals do not fully consider the extent to which existing pipeline investments will reduce energy costs in Maine; nor do the Proposals address the concern raised in the Examiners' Report (October 1, 2014) that a "Maine-only ECRC is not likely to provide net benefits to Maine consumers" or otherwise sufficiently address how a Maine-only ECRC benefits Maine. As such, the Commission must require the Proposals to include a deeper evaluation of purported benefits and better illustration of reasonable costs allocation to beneficiaries. Such a thorough evaluation will show that the Proposals do not offer genuine benefits to the customers in Maine. The following evidentiary based itemizations are intended to

² See 35-A M.R.S. §1904(1)(A) and (B)

guide and assist the Commission in its negotiations and discussions under this Investigation to address the overall problem of high prices as linked to insufficient capacity:

- Other than an ECRC, what options are available for the state to meet the mandates of the Act?
- Do the following proposed expansion projects meet the concerns and purpose of the Act?
 - TGP Connecticut Expansion
 - Algonquin Incremental Market (AIM) Project
 - Atlantic Bridge Project
 - Maritimes & Northeast Pipeline
- Do the following regional initiatives meet the concerns and purpose of the Act
 - The New England Independent System Operator Pay for Performance market rule
 - The Federal Energy Regulatory Commission North American Energy Standards Board consensus forum
 - The New England States Committee on Electricity
 - The Federal Energy Regulatory Commission's Order that directed RTOs/ISOs to file reports on the status of their efforts to address fuel assurance issues by the end of February 2015 (Docket Nos. AD13-7-000 and AD14-8-000).
- Is your proposed ECRC able to fully meet the issues of concern in the Act?
- Are the purported benefits of your proposed ECRC with the state reasonably likely to overcome the financial burden placed on the state?
- What are the expected likely impacts on Maine energy prices of your proposed ECRC with the state?
- What are the specific risks placed on the state by your proposed ECRC?
- What are the long-term end-user price implications of your proposed ECRC in view of the volatility and global nature of the gas market?
- Does your proposed ECRC protect Maine ratepayers from market volatility and correlating price increases?

- Without an ECRC, is your proposed project viable?
- Without the Commission requiring a utility to contract, is your proposed project viable?
- Please identify the market failures, if any, ameliorated by your proposed ECRC?
- Will the costs of your proposed ECRC be fully born by Maine consumers?
- Will your proposed ECRC improve electrical reliability in Maine?
- Will your proposed ECRC depress the potential for private investment in gas pipelines in favor of state sponsored contracts? If so, does such create a market uncertainty that is adverse to your company's interests?
- What market predications are embedded in your proposed ECRC?
- What environmental attributes, benefits, and risks are incorporated into your proposed ECRC?
- Is demand for natural gas in Maine increasing or are there only peak concerns during certain weather events?
- Even though the distribution companies are able to meet non-peak load demands, why are electricity costs going up?
- How does new pipeline capacity in the Northeast equate to lower prices?
- Will you include a guarantee of lower energy costs as a condition of your proposed ECRC?
- Did you explore expanding capacity by "debottlenecking" and repairing leaks before developing your proposed ECRC?

CONCLUSION

NEES prays that these Comments assist the Commission during this Investigation.

Respectfully submitted on this 20th day of January, 2015.

Handwritten signature of Vincent DeVito in black ink.

Vincent DeVito
Attorney for Northeast Energy Solutions

BOWDITCH & DEWEY, LLP
One International Place, 44th Floor
Boston, Massachusetts 02210
Tel: (617) 757-6500/Fax: (508) 929-3019