Pipeline co. touts study on electric rate savings

Critics disagree that project would relieve ratepayers

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A new study done for Kinder Morgan has concluded that the construction of the proposed Northeast Energy Direct natural gas pipeline could save electric customers in New England between $2 billion and $3 billion annually.

The study by ICF International, a Fairfax, Va.-based consulting firm was paid for by Kinder Morgan, the Houston-based energy company whose subsidiary Tennessee Gas Pipeline Company has proposed building the new 30-inch diameter, 400-plus-mile pipeline that would carry 1.3 billion cubic feet of natural gas per day into the region.

Kinder Morgan asked ICF to analyze the New England natural gas and power markets and how new natural gas supplies might serve the region. The controversial pipeline is proposed to pass through eight Franklin County towns on its way from Wright, N.Y. to Dracut.

Local groups who oppose the pipeline, including Northeast Energy Solutions (NEES) — a coalition of land trusts and other environmental groups formed last year to provide analysis, advocacy, and public education related to proposed energy transportation projects — and the Pipeline Awareness Network for the Northeast, challenged the study's conclusions Wednesday, saying it uses outdated information and does not take into consideration events that occurred during the last winter season.

The report studied how the proposed pipeline could have benefitted the region if it had been in service during the winter of 2013-2014, when the "polar vortex" swept through the region and wholesale electricity prices spiked. It concluded that the region could have saved about $3.7 billion if the pipeline had been operational and its gas available to regional power generators.

It said the pipeline would also mitigate electric price volatility due to reduced pipeline constraints during the winter.

The study concludes that natural gas reliance is likely to grow in the future as nuclear, coal and oil-fired power plants retire or are converted to natural gas.

"ICF's analysis of energy demand/supply trends supports a finding that New England faces the risk of persistent and growing natural gas supply constraints, absent new sources of capacity. Given the current structure of the regional energy markets, such risks could disproportionately affect electricity markets, raising economic and potential service reliability concerns for consumers across the region," the report read. It said the proposed project could result in savings of between $2.1 and $2.8 billion annually under normal weather conditions.

"New England gas price spikes and associated electric price spikes are far less likely to occur when pipeline load factors are at or below 75 percent," the report read.

Opponents weigh in

"It's tough to take any information generated by TGP seriously, said Vincent DeVito, legal counsel for NEES. "Through the entire process, TGP has used outdated information to produce inaccurate and misleading reports. Most egregious is the fact that they have continually misrepresented data to elected officials and regulators. ... The latest study fails to take into account other gas pipeline proposals in the region and alternatives that would ameliorate the effects of the polar vortex without saddling ratepayers for infrastructure that, we believe, is primarily intended to satisfy European markets," he said.

PLAN president Kathryn Eiseman said the study relies too heavily on the winter of 2013-2014, which saw higher natural gas prices that were not seen in the winter of 2014-2015 due to market reforms by ISO New England, which oversees the region's electric grid, and other measures that were taken to its reliability.

"The New England Power Generators Association has recently pointed out that "electricity and natural gas prices are at historic lows in New England." Kinder Morgan is trying to hide that fact," she said. "This study seems to rely heavily on the 2013-14 winter to make their case, downplaying the fact that recent market reforms and adjustments to ISO New England's Winter Reliability Program contributed to a considerable reduction in price volatility this past winter."

Eiseman said other initiatives being planned for next winter could further reduce gas prices and said she believes the pipeline is not a viable option for the region.

"Kinder Morgan can commission study after study, but a massive new pipeline through the region entails too much risk to ratepayers, landowners, and the environment, to be a viable option for meeting our energy needs," she said.

Eiseman also noted that ICF International also performed a study on natural gas supply and demand in May 2014 for GDF Suez, a liquified natural gas supplier, that appears to contradict the conclusions reached in the Kinder Morgan report. GDF Suez operates the two Distrigas LNG terminals in Everett which operate at half capacity and also owns the Northfield Mountain Pumped Storage hydroelectric project.

That study also focused on the winter of 2013-2014 and concluded that use of LNG, the other option for increasing natural gas supplies in a region, was a more cost-effective approach to meeting winter peaking demand for gas than building new pipelines when peak demand occurs less than 30 days per year. The Kinder Morgan report argues that peak days could potentially occur on 63 days, or 41 percent, of a typical winter season by 2020 as demand for natural gas rises unless new capacity is added.

If approved, the pipeline is expected to go into service in November 2018.